Austria Sch22	Indonesia Rp3100	Philippines. Pesos40
Bahrain Din0.650	Iran Rls160	Portugal Esc120
Belgium BFr48	Israel NS3.50	S.Arabia Rls7.00
Canada .... C$1.00	Italy L1700	Singapore ... S$4.10
Cyprus .... C£0.90	Japan Y600	Spain Pta145
Denmark . DKr10.00	Jordan Fils500	Sri Lanka Rup30
Egypt .... E£2.25	Kuwait Fils.500	Sweden SKr9.00
Finland Fmk7.00	Lebanon .. £1,250.00	Switz SFr2.30
France FFr7.00	Lux LFr48	Taiwan ...... NT$85
Germany DM2.30	Malaysia Rin4.25	Thailand Bht50
Greece Dr120	Mexico Pes300	Tunisia Din0.800
Hong Kong ... HK$12	Morocco Dh6.00	Turkey L600
Iceland Ikr125	Neth Fl3.00	UAE Dh6.50
India Rup15	Norway Nkr10.00	USA $1.00

EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

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ENVIRONMENT

Shell must pay for clean-up

Page 20

World News

Khartoum emergency after coup attempt

Government placed Sudanese capital under a state of emergency following reports of an attempted coup. Officials said wide powers of arrest were necessary due to important security issues and more details would be made public later. Page 4

Coalition prepared

Israeli politicians were putting the final touches to the country's new coalition government, in which Labour will share power with its main rival, Likud, under the leadership of Mr Yitzhak Shamir, Prime Minister. Page 4

Sri Lanka poll result

Ranasinghe Premadasa, Sri Lanka's newly elected President, appealed for national reconciliation to end the recent violence and bitterness in the country. Page 20

Nauru damages

The tiny island nation of Nauru, its landscape transformed by 70 years of mining phosphate to fertilise the farms of Australia, New Zealand and Britain, formally demanded reparations of $61m. Page 4

Minister fired

President P.W.Botha fired Amichand Rajbansi, South Africa's only non-white Cabinet minister, after a probe into corruption in parliament.

Red Cross pulls out

After 13 years Swiss Red Cross workers were evacuating Lebanon because of "intolerable threats" against them. Operations have been officially suspended.

Travel ban lifted

Indonesia, which has been battling a sporadic rebellion in East Timor for 12 years, said security had improved and travel restrictions would be lifted on January 1.

Indian voting law

The upper house of the Indian parliament unanimously approved a bill lowering the voting age from 21 to 18.

Afghans bomb city

Afghan rebels started a major offensive against the city of Gardez, capital of the eastern province of Paktia, subjecting it to a heavy bombardment with rockets and shells.

Swiss train robbery

At least four masked gunmen held passengers at gunpoint while robbing the mail van of a Swiss train travelling between Zurich airport and Winterthur.

Korea frees 281

South Korea announced it would free 281 political prisoners in a further move to wipe away the legacy of eight years of authoritarian rule.

Danube oil spill

About 8,000 litres of heating oil leaked into the Danube river from a West German industrial plant near Allmendingen and serious pollution is feared by officials.

Cairo raid kills 3

Egyptian police shot dead three *Moslem* militants in a raid on a Cairo flat.

Blizzard chaos

Heavy snow has blocked roads, downed power lines and cut off supplies to at least 100 villages in southeast Yugoslavia.

Business Summary

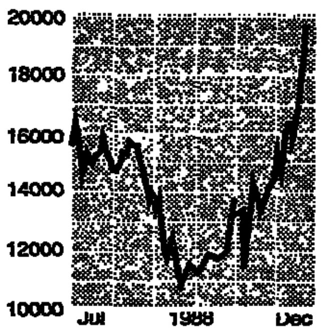
Vickers wins crucial order in battle for UK tank deal

BRITISH Government is to back the development of the Vickers Challenger 2 tank, putting the UK company in prime position to clinch a contract for the Army worth well over £1bn ($1.8bn), against strong US competition. Page 20

NICKEL prices rose strongly for the second successive day on the London Metal Exchange as Inco, the world's largest producer of the metal, confirmed that its Indonesian subsidiary had suffered a production set-back when a

Nickel

Cash metal ($ per tonne)



transformer at its PT Inco offshoot went out of service. The LME cash price for nickel, which had jumped by $1,400 a tonne on Monday, advanced another $1,550 to close at $19,750 a tonne (about $8.96 a lb). Commodities Page 42

PILLSBURY, Minneapolis food and restaurant group which agreed to sell its business to Grand Metropolitan of the UK, reported sluggish sales and earnings in its second quarter to November, underlining the business challenge faced by the UK group. Pillsbury said that earnings for the quarter were 38 per cent down on last year's November quarter at $44.8m. Page 21

EUROPEAN assembly plants of 11 of Japan's leading producers of dot matrix computer printers, including seven in the UK, are being investigated by the Brussels Commission for using an unfairly high proportion of allegedly dumped components. Page 8

IMPERIAL Chemical Industries, Britain's biggest chemical company, and Wellcome, the UK pharmaceutical group, agreed to sell their jointly owned animal-health subsidiary to Pitman-Moore of the US. Page 21

NISSAN, Japanese car-maker, plans to establish a European headquarters in Amsterdam as part of efforts to strengthen its European activities in the run-up to 1992. Distribution facilities in the Netherlands will also be enlarged to prepare for growing demand. Page 8

FOUR-WEEK strike by about 200 sugar refinery workers in Melbourne forced the Australian Government to lift a 70-year embargo on imports to ensure supplies and keep sweet factories operating. Page 4

US retaliation against imports from the European Community will come into effect on January 1, unless the EC changes its mind about imposing its ban on US hormone-treated meat, Mr Michael Samuels, the Deputy US Trade Representative, said in a statement in Geneva. Page 8

ITT, US conglomerate, acquired a 2.8 per cent stake in Compagnie Générale d'Electricité (CGE), French telecommunications and heavy engineering group. Page 27

PLANNED merger of two of Europe's biggest lift truck makers, Linde of West Germany, Western Europe's largest lift truck manufacturer, and Lansing of the UK, appears to have run into some difficulties under West German competition law. Page 20

UK stores on firebomb alert

BRITAIN'S department stores were placed on a nationwide Christmas red alert last night after a Plymouth, Devon, store was destroyed by fire and incendiary devices were triggered in three other stores and discovered and disarmed in two more, writes Richard Donkin.

Yet another was found and made safe last night at the offices of the Fur Review, a fur trade publication, in Kennett Wharf Lane in the City of London. Retailers believe animal rights activists are waging a campaign of economic sabotage in protest at the sale of fur coats.

Mr Richard Weir, chairman of the security committee of the British Retailers Association, urged multiple retailers to be vigilant in the lead-up to Christmas but said shoppers should not be alarmed.

He said the smoke-generating devices were designed to activate sprinkler devices outside shopping hours and destroy stock in the shops. "I think you can reasonably assume that animal liberation people are responsible," he said.

Only the swift action of fire officers at Harrods in London prevented serious damage there as a device went off in the furniture department.

Another device was activated in Selfridges department store in Oxford Street in London's West End but did not cause serious damage. Smoke damage running into thousands of pounds was caused at Howells store, Cardiff. Like Harrods, it is owned by House of Fraser, but it was able to trade normally yesterday.

The cause of the fire which swept through the Dingles department store at Plymouth, another House of Fraser outlet, causing millions of pounds of damage, has not been officially determined.

Devices were found at two more House of Fraser stores, Rackhams in Birmingham and the group's Oxford Street store.

Police were investigating possible links between all the incidents, although an electrical fault has not been ruled out as the cause of the Dingles fire.

The attacks bore many of the hallmarks of previous fires started by animal rights extremists.

In April, animal rights activists were believed to have planted a fire bomb which ignited in Harrods.

Salmonella 'rare in chicken feed', Page 9

A firefighter tackles a blaze at a department store in Plymouth, south west England, believed to have been started by animal rights activists

OECD says priority must be given to control of inflation

By Peter Norman, Economics Correspondent, in Paris

THE industrialised world must give priority to keeping inflation under control, the Organisation for Economic Co-operation and Development says.

The Paris-based body says in its twice-yearly Economic Outlook report, published yesterday, that strong output growth of 4 per cent over the past 18 months has been accompanied by an edging up of inflation in its 24 member states to an average of also about 4 per cent.

The OECD says that on the basis of unchanged policies it expects inflation to stay around 4 per cent in the industrialised world for the next two years while growth slows slightly to about 3.25 per cent next year and 2.75 per cent in 1990. It warns that stronger growth could change the inflation outlook for the worse.

"It remains of the first importance to keep inflation rates and inflationary expectations under control," Mr David Henderson, head of the OECD's economics and statistics department, said yesterday. "There is a clear risk for a number of countries that inflationary tensions could build up to an unacceptable level within [the OECD's] two-year forecast horizon," he added.

Mr Henderson told a press conference that last week's interest rate increases in West Germany, France and some smaller continental European countries were justified because the economies were probably growing at a faster rate than suggested by the data available to the OECD.

In its report, the OECD suggests that the US, Britain, Italy, Canada, Sweden, Finland, Iceland, Spain, Portugal, Greece and Turkey should pursue policies of fiscal restraint to combat inflationary pressures.

Mr Henderson said that in most OECD countries some change in the balance of fiscal and monetary policies in the direction of fiscal restraint would improve the prospects for sustained, non-inflationary growth.

The report makes clear that US action to cut its budget deficit would be of key importance in avoiding a damaging upward spiral of interest rates.

The OECD's projection of 4 per cent inflation next year and 1990 hinges on the assumption that oil and other commodity prices will stay stable in real terms, that demand and output will slow and that productivity growth averages about 2 per cent per year.

The organisation's fears centre not so much on the risk of a spectacular resurgence of inflation as on a cumulative acceleration of prices.

Mr Henderson said the OECD's concern was heightened by the fact that the process of "disinflation" – where the rate of price increases declined year by year for much of the 1980s – had come to an end. He said an average inflation rate of 4 per cent was "arguably too high for comfort" because it implied a doubling of prices every 18 years.

It is a measure of the dilemma facing policymakers that the slower growth that the OECD advocates will do nothing to reduce unemployment in Europe.

The OECD's outlook forecasts that around 10.25 per cent of the European labour force will continue to be unemployed over the next two years while the US unemployment rate is forecast to hold steady at about 5.5 per cent and in Japan at 2.5 per cent.

OECD report, Page 3; Editorial comment, Page 18

UK trade deficit 'poised to worsen'

Britain's current account balance of payments will worsen over the next two years, while inflation will stay high compared with most of its international competitors, the OECD says.

Its conclusions cast doubt on whether the British Government will be able to achieve the "soft landing" of the economy, and contrast with the UK Treasury forcasts. Page 12

Moscow narrows definition on devaluation

By John Lloyd in Moscow

A RESOLUTION on foreign trade by the Soviet Council of Ministers which seemed to decree a 50 per cent devaluation of the rouble by January 1990 was more narrowly defined yesterday by a senior trade official, who said the measure would only apply to purchases of hard currency by Soviet enterprises.

Mr Vladimir Kamentsev, a Deputy Prime Minister and chairman of the state Foreign Economic Commission, denied that the resolution gave any precise date for the convertibility of the rouble. However, he stressed that convertibility remained an aim and that the measures in the resolution were designed to pave the way.

At the heart of the confusion is a passage in the resolution which specifies that the Soviet Union will abandon by January 1991 the use of some 3,000 foreign currency coefficients covering different products selling to different countries in favour of one rate.

To smooth this transition, the resolution says, a "100 per cent increase in the amount of roubles payable by Soviet enterprises for freely convertible currency is to be introduced as of January 1, 1990."

Mr Kamentsev's explanation as to why this did not mean a 50 per cent devaluation merely reiterated the terms of the resolution itself.

He said that "the 100 per cent rise is based on our domestic computations – world and domestic prices are different, and we must level them off. The final rouble rating will be established when this is complete."

The apparent implication of Mr Kamentsev's remarks is that the intended devaluation would not apply to Western companies and individuals purchasing roubles.

Mr Kamentsev did give a few details on the proposed system of foreign currency auctions organised by the Bank of Foreign Economic Affairs.

Any enterprise with foreign currency could take part, he said, and the auctions would be held once every four months. The foreign view of them is that they will act as a small but useful test of the market rate of the rouble, and allow the authorities to test the market without exposing the economy to its full rigours.

A more substantive and ~~clearer change is the abolition~~ of the rule that foreign partners in joint ventures may have no more than 49 per cent of the equity, and that such ventures must have Soviet chairmen.

Mr Kamentsev said that the equity proportion, and the appointment of chairmen, would be entirely up to the partners. This is seen by foreign observers as a helpful but not decisive change.

A greyer area is how far the management of a joint venture, even with a majority foreign holding, will be able to discipline and motivate Soviet labour.

Plessey drops legal attempt to block GEC, Siemens bid

By Raymond Hughes and Terry Dodsworth in London

PLESSEY, the UK electronics group, last night abandoned its court action to block the £1.7bn ($3.1bn) hostile takeover bid from the UK's General Electric Company and Siemens of West Germany after failing to win an injunction against the consortium in the High Court in London.

The decision will allow GEC and Siemens, two of Europe's largest electrical and electronics groups, to post their offer document for Plessey later this week. It also puts the issue of whether the takeover proposal conflicts with the European Community's competition law on consortium bids firmly in the hands of the European Commission.

Plessey's action in appealing to the UK courts to apply European law on takeovers has broken new ground in defensive bid tactics, while expanding the policing role of the Commission in merger policy.

The company claimed last night that it had won the legal arguments over the bid needing prior clearance from the Commission. But it did not want to appeal because the British courts might well uphold the ruling that it was better to wait and see what the Commission had to say on the issue.

GEC and Siemens are aiming to have their offer document out on Friday, putting the bid back on the normal Takeover Panel timetable that had threatened to be disrupted by the High Court move. The two companies have 60 days before closing the offer, and the European Commission has promised to make its views known on the competition question within six weeks.

In the UK, the Office of Fair Trading is also looking at the bid to see if it should be referred separately to the Monopolies and Merger Commission.

The offer document is expected to spell out more of the rationale behind the bid, which is mainly aimed at welding together the activities of the three companies in the fields of *telecommunications*, defence electronics and semiconductors. GEC and Siemens claim that this plan is designed to make the European market more competitive against the growing threat of US and Japanese competition, rather than reducing competition in Europe.

The consortium also argues

Continued on Page 20
Lex, Page 20

AT&T plans anti-dumping suit against 12 Far Eastern groups

By Roderick Oram in New York

AMERICAN Telephone & Telegraph, the US telecommunications group, will file anti-dumping complaints next week against 12 leading Japanese, South Korean and Taiwanese manufacturers of communications equipment designed for small buinesses.

AT&T said yesterday that it and other US manufacturers "have been severely injured by this unfair pricing" policy of their foreign competitors, the market share of which has grown to 60 per cent from 40 per cent in the past three years.

"During the same period, overall sales of AT&T small business systems and those of other US manufacturers have decreased dramatically," said Mr J. A. Blanchard, group vice president of AT&T's General Business Systems division.

Intense competition in the private branch exchange (PBX) market was one of the factors which led International Business Machines, the computer maker, to give up control of its Rolm subsidiary last week to Siemens, the West German electronics group.

Together they will attempt to turn around the troubled California manufacturer of PBXs and other communications equipment.

IBM had struggled to make Rolm succeed since its acquisition in 1984 for $1.5bn. Analysts calculate that a flood of fresh competitors, particularly from abroad, had halved the price of PBXs in the past four years to around $500 to $600 per telephone line. With many customers completing the switch to digital systems, demand has stopped growing.

AT&T will name the following companies in what is its first dumping complaint. These are: Toshiba, Matsushita, Hasegawa, Iwatsu, Meisei, Nakayo, Nitsuko and Tamura from Japan; Goldstar, Samsung and OPC from South Korea; and Sun Moon Star from Taiwan.

AT&T said the price on 12 of the 48 models identified was twice as high in the home market as in the US, equal to a dumping margin of 100 per cent. The average margin for the products was 75 per cent but ranged as high as 170 per cent.

"When we must compete against pervasive unfair pricing of this magnitude, no amount of product improvement, cost-cutting or streamlining can bring the GBS division to the type of reasonable profitability that AT&T's shareholders and employees have a right to expect," Mr Blanchard said.

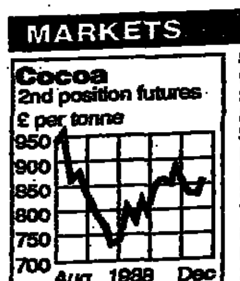
The Department of Commerce will have 20 days from when the complaint is filed next Wedndesday to decide if it has merit.

MARKETS

Cocoa

2nd position futures

£ per tonne



INTEREST RATES

US lunchtime

Federal Funds $8\frac{13}{16}$ % ($8\frac{15}{16}$)

3-mth Treasury Bills: yield: 8.458% (8.46)

Long Bond: $100\frac{7}{16}$ ($99\frac{9}{16}$)

yield: 8.95% (9.04)

London

3-month interbank: close $12\frac{7}{8}$% (13)

STERLING

New York close

$1.7970 (1.8210)

London:

$1.8020 (1.8225)

DM3.20 (3.2125)

FFr10.9375 (10.9725)

SFr2.70 (2.71)

Y225.50 (226.0)

DOLLAR

New York close

DM1.78 (1.7655)

FFr6.0790 (6.0325)

SFr1.50285 (1.4905)

Y125.33 (124.225)

London:

DM1.7860 (1.7620)

FFr6.0700 (6.0200)

SFr1.4980 (1.4865)

Y125.10 (124.05)

GOLD

New York latest

Comex month

$418.2 (+0.6)

STOCK INDICES

New York close

Dow Jones Ind. Av.

2,166.07 (-6.61)

S&P Comp

277.47 (-1.44)

London:

FT-SE 100

1,777.4 (+6.9)

World:

137.26 (Mon)

Tokyo

Nikkei Ave

29,567.94 (+97.86)

Frankfurt

Commerzbank

1,649.8 (+26.0)

OIL

Brent 15-day (Argus)

$15.05 (+0.05) (Jan)

West Tex Crude

$16.835 (+0.195) (Jan)

CONTENTS

Middle East peace moves leave Syria sitting on the sidelines

It is a difficult time for President Hafez al-Assad of Syria. His old enemy, Mr Yassir Arafat, has stolen the limelight by accepting the existence of Israel – and other Arab states back the PLO leader. **Page 4**

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Italian budget plans in disorder

By John Wyles in Rome

ITALY'S budgetary arrangements for 1989 were in considerable disorder yesterday with the deficit target apparently unattainable without fresh measures, and the government planning to bring in some of its original plans by emergency decree.

Aided by the abolition of the secret vote on budgetary matters, the parliament had managed on Tuesday night to pass the Finance and Budget bills comfortably before its year-end deadline.

This is an advance on recent years when the parliamentary procedure has dragged on into the new year and spending has been subject to artificial constraints.

However, the 1989 Finance Bill was a specially slimmed-down version which is little more than a framework setting targets to be accomplished by accompanying legislation.

Given the fact that most of these 13 related measures governing both revenues and expenditures are bogged down in the parliamentary system, Mr Giuliano Amato, the Treasury Minister, has already acknowledged that the government will have to decide immediately after Christmas to implement several of these by decree law.

Without confirming unofficial estimates that the budgetary arithmetic is already in error to the extent that the likely deficit could be closer to L125,000bn than the L117,300bn target, Mr Amato has made no secret of his belief that "like it or not" tougher constraints are needed on local authority spending, health and transport.

He has told parliament that without them, the government's "experiment" aimed at stabilising the public debt by 1992 will fail.

Mr Amintore Fanfani, the Budget Minister, has described the 1989 manoeuvre as "insufficient" and even the coalition's nominal friends are finding major points of weakness in the emerging economic and budgetary strategy.

Mr Bruno Visentini, a Republican Party elder and former Finance Minister, has written this week that the government is relying on an "uncertain" package of measures and has based its budget on expectations which "are more improbable than ever."

Mr Nino Andreatta, another former Finance Minister and Christian Democrat chairman of the Senate's budget committee, praises the budget for its "professionalism" but thinks some expectations on the revenue side are "imaginative."

Estimates that L3,000bn will be raised by the self-employed voluntarily purchasing an amnesty for past tax evasions is judged by many to be optimistic.

This revenue is supposed to cover the raising of direct tax thresholds.

1980 earthquake still rocks De Mita

Italy's experience provides a lesson for Armenia, writes John Wyles

WHENEVER he comes to Italy – one rumour has it that it may be next year – Mr Mikhail Gorbachev, the Soviet President, ought to visit the hilltop village of Nusco, celebrated these days as the birthplace of Ciriaco De Mita, the Italian premier.

From its seemingly precarious perch on a hilltop, the Soviet leader could look down upon the craggy landscape of Irpinia and begin a study on the pitfalls of earthquake reconstruction which may be of relevance to the mammoth task lying ahead in Armenia.

The earthquake on November 23 1980 which shook Naples and its 10,000 square miles of hinterland was much less murderous than the recent cataclysm in Armenia – the Italian dead numbered 2,735 – because only a part of only one town was involved.

But the aftershock still lingers, shaking the political ground beneath the prime minister's feet with allegations that he, his family and his Christian Democratic party may have done better than they should out of the reconstruction programme.

In the last eight years much has changed in the brooding, beautiful mountainous area of Campania and Basilicata known as "the crater". What was once an isolated, backward agricultural region studded with tightly-knit communities living in hilltop villages is now an extended construction site with an apparently insatiable appetite for public money.

The new luxury villas which dot the region, the markedly high incidence of ownership of private yachts, a sharp leap in average per capita incomes all testify to the enrichment of thousands of individuals, many of them masons, architects, engineers and building contractors.

The Camorra, the Neapolitan mafia, has had its generous share of public contracts too, while the political parties, led by the dominant Christian Democrats, have deployed well-honed skills in advancing their political and financial interests.

So loose has been the control on the public purse strings that no one seems at all sure about how much money has been spent in putting the region back together again. Initial estimates of the damage talked of a requirement for L8,000bn (£3.38bn), two years later it was put at L12,000bn, and by 1984 at L20,000bn. According to yesterday's government statement total allocations have reached L43,000bn, including L13,500bn for the construction of 23,000 new dwellings in Naples.

Part of the explanation for this explosion of funding was the ambitious desire which rapidly took hold after 1980 to use the reconstruction as a vehicle for regional economic development. Twenty industrial estates have been planned to provide 8,200 jobs upon which a total of L2,057bn has been spent on plant and infrastructure. The only problem is that indigenous entrepreneurs are thin on the ground and these estates are still very underpopulated.

A modest total of 2,700 jobs has so far been created by companies which have generally come down from the north and use raw materials from there.

According to Dr Rocco Caporale of St Johns University of New York, who is making a continuous study of the reconstruction programme, there is even one plant bottling mineral water shipped in from another region.

The genius of the Italian political and bureaucratic system lies in its diffusion of responsibility, so that various sins, from maladministration to out-and-out corruption, often remain hidden, because many people have an interest in their remaining so.

This makes the frontal accusations against Mr De Mita all the more unusual and his angry and nervous reaction to newspaper innuendoes against him and his family all the more explicable.

The facts of the matter are scanty and not manifestly scandalous: the prime minister and his family own 0.6 per cent of the Banco Populare dell'Irpinia, an institution whose 15-fold increase in deposits since 1980 is not necessarily sinister, but it is certainly understandable given the torrent of funds into the Avellino region.

The Soviet leader would do well to draw the conclusion that a well-organised programme administered from the centre – the complete opposite of the Italian approach – has a better chance of an efficient and timely reconstruction. Only in the immediate aftermath of the disaster did the state take hold of the reins, with the creditable result that by the end of 1981, all of the homeless that had not emigrated from the region had been accommodated in 25,000 light prefabricated homes or in 12,000 transport-type containers.

A few of these can still be seen dotted around the landscape. Omnipresent, even in Nusco, however, are the wooden chalets and bungalows which serve as residential appendices to the region's dozens of devastated villages. Whatever impatience their inhabitants may feel about the long wait for permanent accommodation is muted by the fact they pay no rent and nothing for services.

But the wait is a long one. Romagnano al Monte on the Campagna-Basilicata border, for example, is still being rebuilt 3km away from where its original quake-torn shell clings precariously to a cliff face.

Decentralisation of planning and implementation is the main reason for the modest pace of reconstruction where, according to some estimates, 50 per cent of new habitations have yet to be built. A senior civil servant says that the 687 communes (far more than were hit by the earthquake) eventually identified as qualifying for reconstruction funds were so diverse that Rome would have been wrong to try to impose a central approach.

The result is that administrations which in 1979 looked after the drains and refuse collection, handling around L1bn a year, had to find the technical and human resources to manage tens of billions of lire of reconstruction.

"It has not been easy," says Mr Antonio Tortoriello, a former traffic policeman and now a counsellor at Romagnano. He and his colleagues are having to manage the planning and construction of a new village for 2,000 people, and while his enthusiasm for the beautiful scale model in the Communal "prefab" is easily shared, few would envy his task of creating the reality on the nearby hillside with the help of just two full-time technicians.

Mr Gorbachev may also note that decentralisation offers the maximum opportunity for local politicians, the commercially ambitious, the greedy and the corrupt, to win a slice of the pie. But it has also lifted from national government a remarkable degree of political responsibility. They have murmured regrets about the inefficiencies of regional and communal administrations, while affirming that corruption must be fought by the magistracy.

The Soviet Union is certainly not Italy, but it does share the problems of corruption, bureaucratic inefficiency and power hungry politicians. Mr Gorbachev will have his own methods for keeping these under control, but he could learn from Italy that when skills and administrative resources are in short supply, a national government must assume its responsibilities.

Premier admits major failings

THE ITALIAN Prime Minister, Mr Ciriaco De Mita, yesterday acknowledged major shortcomings in the state's response to natural disasters and admitted that in the past both Government and Parliament had failed to build safeguards against the corrupt exploitation of state spending on reconstruction, writes John Wyles.

He promised Parliament an overhaul of the bureaucratic machinery dealing with disasters to eliminate overlapping responsibilities, better planning support for local authorities responsible for reconstruction programmes and the creation of a special body to guarantee that public money is actually used for the purposes to which it is dedicated.

The Prime Minister's initiative, together with a highly detailed ministerial statement on the use of funds for the reconstruction of areas damaged by the November 1980 earthquake, represents an important step forward in attempts to control runaway public spending programmes and to reduce bureaucratic inefficiencies.

It also appears to have been an effective answer to charges that he had lost his political nerve in the face of unsubstantiated charges of impropriety.

The rebuilding of the badly damaged areas in Basilicata and Campania has become a national cause celebre. Areas which suffered little or no damage at all been progressively qualified for special funds while estimates of funds required for econstruction have risen from L8,000bn to L43,000bn so far allocated.

The tendency for governments and parliaments to succumb to social and political pressures to enlarge entitlement to relief must be dealt with by a new "rigorous approach" which in future disasters would define areas where government intervention was really needed, said Mr De Mita.

In addition, the creation of special units to supervise reconstruction work would be abandoned in favour of better co-ordination between existing ministries. As for reducing corruption, the prime minister said that the government believed that an "authority" should be created which would guarantee an honest use of funds.

Greek police hunt former chief of state arms company

By Andriana Ierodiaconou in Athens

A NATIONWIDE search was launched yesterday by Greek police for Mr Stamatis Kampanis, a former director of the state-controlled Hellenic Arms Industry (EBO), who failed to appear before an investigating magistrate on Monday to face charges of fraud. Three other former EBO managers have been charged with him.

Mr Kampanis' attorney said his client had not been officially notified in time to appear and intended to do so today. However, the authorities, who have issued a warrant for his arrest, said the relevant notification was delivered last Friday.

His failure to appear raised suspicions that he had fled the country like the banker and press baron Mr George Koskotas. A businessman closely associated with the Government, Mr Koskotas escaped from Greece after being charged with fraud in early November, later to surface and be arrested in the US.

The Greek Conservative opposition has accused the Government of engineering Mr Kampanis' disappearance, as they claim it did with Mr Koskotas, "in order to cut the thread leading justice to the major guilty parties."

Evidence against the former management of EBO was submitted to the public prosecutor by Mr Stathis Yiotas, who resigned as Deputy Defence Minister last week in protest against what he described as the Government's "lack of political will" in bringing those implicated in the Koskotas affair to justice.

According to the minister's evidence Mr Kampanis, director of EBO in the 1986-1988 period, and his three former colleagues allegedly exported foreign exchange, billed as consulting fees to dummy foreign companies, for arms sales abroad.

The four are also alleged to have falsified expense accounts, and forged their personal work records to back up illegal social security claims.

Scrapping of 15 trade barriers expected

By William Dawkins in Brussels

THE European Community's campaign to create a free single market looks set to take a leap forward today if EC trade and industry ministers agree, as expected, to end some 15 barriers to free trade between member states.

The accords, the result of a hectic end-of-year negotiating session between national officials, will bring to around 40 the number of barrier-breaking measures to achieve final or preliminary adoption over the past six months.

Most of the barriers scheduled for demolition today are highly technical, but taken together they represent a notable step forward for an internal market strategy that only a year ago faced serious political obstacles.

There could be more, since the Greek Government yesterday afternoon was still piling new points on to the agenda of what will be the busiest internal market council of its EC presidency, due to run out at the end of the year.

National officials forecast accords today on common trade mark laws, cross-border recognition of professional qualifications (approved in principle last June) and European standards for construction equipment, tractors and possibly engineering machinery.

Agreement is also expected on a package of five food safety laws, which will complete the Commission's internal market plan for food. They cover rules for food inspection, freezing, permitted additives and materials used in packaging and processing.

Common rules for pharmaceuticals pricing, the labelling and packaging of cosmetics, blood products and radio pharmaceuticals, should receive the ministerial go-ahead, as should a package of measures to streamline and simplify customs procedures.

Demolishing trade barriers will be one of the few solid achievements in a Greek presidency that has visibly suffered from its Government's domestic political troubles. Commission and national officials ascribe much of this progress to the unexpected determination and skill shown by Ms Vasso Papandreou, the Greek Deputy Trade Minister chairing the presidency's internal market councils. She is due to become European Commissioner for Social Affairs in the New Year.

This progress has surprised pessimists who forecast six months ago that Greece lacked the political muscle to keep up the pace on internal market decisions set by a successful West German presidency in the first half of the year.

If today's ministerial meeting goes to plan, the Commission will end its four-year term with preliminary or final agreement from member states on roughly 135 measures out of its 279-point plan for the creation of a single EC market by 1992, well ahead of deadline.

This will be a satisfactory final council for Lord Cockfield, Britain's internal market Commissioner, who gives up his job at the end of the year.

Some points adopted under Ms Papandreou's chairmanship so far are merely the climax of work nearly completed under the West German presidency. Others represent significant steps forward, like preliminary agreement on freer international competition for public works contracts, a move which could bring big savings for the Ecu 150bn (£97bn) European public construction market.

EC plans new curbs on ivory imports

By Tim Dickson in Brussels

PLANS to introduce new restrictions on imported ivory were announced in Brussels yesterday as part of a European Community effort to help save the African elephant.

The promise of tighter guidelines – due to come into effect at the start of 1990 to cover this often illicit trade – was accompanied by a commitment of Ecus 500,000 to a major conservation programme being run by the World Wide Fund for Nature (formerly the World Wildlife fund).

"Such is the decline in the elephant population that there are those who predict that the species will not survive the century," Mr Stanley Clinton Davis, the EC's environment Commissioner, said yesterday.

The population of African elephants has fallen from 2.3m. in 1970 to less than 700,000 today, he explained, and most of the 80,000 which die each year are slaughtered for their ivory.

The Commission believes that one way to tackle the problem is to stop imports of illegal origin entering the Community, and to exclude ivory which has been produced outside the framework of the international convention governing the trade. Experts believe that up to $120m-worth of the 800 tonnes sold on the world market each year is illegal.

The other approach – reflected in the donation to the WWF programme – is to give direct help to African countries to protect their herds and to encourage the development of a legal trade with the enhanced economic benefits which would follow.

A Commission spokesman pointed out that demise of the species has hit tourist earnings and that the proceeds of illegal imports ended up "in the hands of poachers and middle men".

In a touching illustration of Brussels' concern, the Commission's background paper on the subject also emphasises the elephant's crucial role in maintaining the ecological balance in Africa.

After a three-year drought in Namibia, for example, the animal's ability to survive adversity, and the "defecation" of seed carried in its stomach over long distances, was an important factor in replacing the lost vegetation.

Bosnia votes to fire officials in homes scandal

THE parliament of the Yugoslav republic of Bosnia has voted to sack senior officials of the ruling Communist Party who acquired property illegally, Reuter reports from Belgrade. The decision was taken unanimously on Monday. The affair involves villas built by politicians on state land and with illegal loans in the Bosnian resort of Neum.

The Yugoslav press has been speculating whether Mr Branko Mikulic, the Prime Minister, also a Bosnian, is involved. His wife Rajka is named on a parliamentary list as having allegedly obtained property in Neum by irregular means.

East-West talks set to end on January 16

By Judy Dempsey in Vienna

BARRING ANY last-minute objections, East-West security talks look likely to end by January 16, thus paving the way for new conventional arms reduction talks.

The 35-member states of the Vienna review meeting on the Conference on Security and Co-operation in Europe (CSCE), will today be presented with a final draft document.

That document, drawn up by the 12 neutral and non-aligned countries of the CSCE, is aimed at reaching consensus on all the outstanding issues, in particular human rights and other related humanitarian issues.

The aim is to end the meeting before a new Administration enters the White House on January 20. Both the US and the Soviet Union have been in the forefront of pressing for an end to this meeting early in the New Year.

The pace of progress, which is also reflected in the Conventional Stability Talks (CST), which groups together the 16 Nato and 7 Warsaw Pact countries, means that certain issues will have to be quickly resolved either this week or just before the New Year.

The outstanding issues include:

- An agreement between Nato and the Warsaw Pact on what parts of Turkey should be excluded from any arms reductions. For the past few weeks, the Soviet and Turkish delegations have been informally meeting to work out an acceptable formula.
- Whether or not the Warsaw Pact countries will accept in writing, their intentions to stop jamming of western broadcasting stations on a permanent basis.
- Whether East Germany will continue to refuse to drop the minimum hard currency exchange requirement for all western visitors to the country.
- Whether all the Warsaw Pact countries will agree to a CSCE mechanism designed to monitor at any given period their adherence to human rights.
- Whether certain Western delegations, in particular Canada, and less so Great Britain, will agree to attend a human rights conference in Moscow as part of the CSCE process.

The Canadian delegation backed by some other Western delegations, has consistently called for the release of all political prisoners and permission to be granted to all long-term Jewish refusniks to emigrate from the Soviet Union, as a precondition to attending the Moscow conference.

Canada is still hoping to gain a stronger commitment from Moscow on these issues.

Norway passes share measure

NORWAY'S minority Labour Government won parliament's approval yesterday for a proposal to scrap a tax on share dealings at a session which also passed the 1989 budget, Reuter reports from Oslo.

The tax took 1 per cent of the value of turnover in share transactions.

A budget with expenditure at NKr285bn ($43bn) won parliamentary approval with support from two centrist parties and the Socialist Left Party.

Despite weak prices for North Sea oil and a burdensome current account deficit, the budget will raise state spending next year by 3.3 per cent in real terms.

EC study 'reveals $100bn a year state subsidies'

EUROPEAN Community member nations provide more than $100bn a year in subsidies to industry, agriculture, energy and transport with Italy by far the biggest spender, EC sources said, Reuter reports from Brussels.

The sources cited a 100-page report, called the First Inventory of State Aid, which was prepared for the 12-nation EC with information from member governments.

The European Commission, the EC's executive body, has wide-ranging powers to ban state subsidies which distort competition. EC Commissioner Peter Sutherland believes that the rules must be enforced even more strictly as the community moves towards a single market for its 12 economies after 1992.

The report is a pet project of Mr Sutherland, an energetic Irishman who has been responsible for enforcing the competition rules over the past four years. He is leaving Brussels next month when a new set of commissioners takes over.

The report gives a breakdown of subsidies paid by 10 EC governments to industry, agriculture, transport and energy, but excludes Spain and Portugal, which joined the community after the project was launched in October 1985.

It was not clear whether the 17-man commission would decide to publish the report at its weekly meeting today.

"People are nervous about the sort of image it presents of the community as a whole, while individual member states are worried about their position in the league table," one source said.

The inventory, taking average spending between 1981 and 1986, reveals that subsidies paid by the 10 governments totalled Ecu78bn ($91bn) a year and annual subsidies from EC funds amounted to Ecu22bn.

On the international front, agricultural subsidies are a major source of tension with the US, which has sought the eventual abolition of all trade-distorting handouts despite the fact that it too heavily subsidises its farmers.

Subsidies in other sectors have created sharp tensions within the community, most recently over aid to Italy's loss-making steel manufacturer, Finsider. A L7.6bn ($6bn) Italian rescue plan for the group has been bitterly opposed by West Germany, which believes its steelmakers have undergone a far more painful streamlining process.

The report says that in 1981, France, West Germany and Britain gave roughly equal subsidies, while Italy gave twice as much. By 1986 however, Britain's subsidies were half as much as those of France; West Germany paid out 40 per cent more than France, while Italy paid four times as much. The sources did not give the amounts for those years.

French group launches a charter for immigrants

Jennifer Davidson describes a movement aimed at securing equality for European residents

IMMIGRANTS often get short shrift from governments around the world. It was therefore noteworthy that last weekend, some 2,000 young people from 15 countries gathered in Paris to take part in what was called the "First European Estates General of Youth for Equality."

The conference, held in the Sorbonne, was organised by the French anti-racist lobby, SOS Racisme, with the intention of proclaiming a "Charter of Equality For Citizens".

Conducted in a Babel of languages, including French, English, German and Italian, a speaker's looks were no guide as to his or her nationality or tongue. A Rastafarian turned out to have Italian as his mother tongue. A black delegate from Britain talked in French as well as in Brummie-accented English. Most of the English-speaking whites were not from England, but from Scandinavia or Holland.

There was one principal item of business on Sunday: to adopt the 17-point Charter. Of course, it was adopted, though not with a vote, but a deafening standing ovation. It is subtitled a "Declaration of the Rights of Immigrants in Europe" – the word *immigré* being used to mean both the first generation of immigrants and their children. Its points include:

- The automatic and immediate right to the nationality of the state in which any person is born, *jus foli*.
- The right to acquire the nationality of the country in which a person lives, after five years of residence.
- The right to asylum, in the European state chosen by the person seeking refuge, in conditions guaranteeing other rights defined in the Charter.
- The right to guaranteed residence, implying papers authorising a long-term presence; protection from deportation for young people raised in Europe; the right for families to unite; the right to reside and to travel anywhere in Europe, without restrictions.
- The right after five years' residence to vote and to stand as a candidate, at least in local elections, and to participate in elections to the European Parliament.
- Free access to employment in any European state without restrictions.

Of course, no European state currently meets all the stipulations in the Charter, though different individual states obviously meet different individual clauses.

But let us suppose that EC member states were aiming to become signatories. What adjustments would they need to make to their existing legislation?

Holland would probably have to make the fewest changes in Europe to its statutes, and Britain and France the most.

Jus Foli, the automatic right to nationality of the country of one's birth, disappeared in Britain with the Nationality Act, which came into effect last January. Any European debate which would allow freedom of assembly would be bound to collide with public order legislation now in force in the UK. Moreover, the British government's initiatives to contain terrorism could not but conflict with any measures to increase freedom of movement and asylum rights.

France retains a law introduced under the Gaullist government (known as La Loi Pasqua after the former Minister of the Interior) which permits summary deportation of a non National in trouble with the law – in practice, often a young person raised, if not born, in France. Its application has, however, softened since the elections last summer.

For the French government the issue of voting rights for non-Nationals is particularly sensitive with municipal elections coming up next March. Hence, the timing by SOS Racisme of its Charter declaration. And the reference throughout the Charter to any person "residing" in a European state (a weekend amendment to the draft put "authorised to reside") would be certain to prove a sticking point in most European states.

It is difficult to describe the leadership or following of a group like SOS Racisme, which, like other movements involved with multi-racial youth, is suspicious of hierarchies and contemptuous of labels. But the SOS slogan "Touche pas a mon pote"(Hands off my mate) seems at least to capture something of the mood of today's young European activists.

The movement is not exclusively concerned, as is suggested by its title, with the interests of racial minorities. SOS Racisme aims also to express the solidarity of youth throughout the globe. Organised support comes from outside Europe as well as from within. The US and Canada have SOS Racisme branches. Britain, West Germany and Italy also have links but so far no office.

Nor did the packed floor in the Sorbonne's main amphitheatre last weekend draw a distinction between the need for justice in Europe and for the Third World. But in a speech to the gathering, Mr Jacques Delors, the President of the European Commission, claimed that the Europe of political and social rights could only be built on the Europe of the Market, providing a sound economic base.

He told the assembly that a common European position on external matters – such as South Africa and the PLO initiative over Israel – depended on a strong political Europe.

The meeting had the blessing of others members of Europe's political establishment: there were two speeches from French ministers, a message of encouragement from Mr Jorge Semprun, the Spanish Minister of Culture, and from politicians on several sides of the European Parliament. But despite the "establishment presence", the gathering seemed to make narrow nationalist politics not just irrelevant but obsolete. If only for a weekend.

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OECD FORECASTS

Faster pace of structural change urged on buoyant economies

By Peter Norman, Economics Correspondent

ECONOMIC conditions in the industrialised world appear more buoyant now than at any time since the early 1970s, according to the 24-nation Organisation for Economic Co-operation and Development. But the good news is tempered by warnings that risks and uncertainties require some rebalancing of economic policy in many member countries and a faster pace of structural reform in all of them.

In its latest half-yearly "Economic Outlook", the OECD also calls for a continuation of economic co-operation among the industrialised countries. "One reason for the current buoyancy of activity is the improvement in private sector confidence, which in part reflects improved co-operation in both macroeconomic and microeconomic spheres," it says.

Real gross national product in the 24-nation area has been growing at an annual rate of more than 4 per cent since mid-1987, with most member countries sharing in the expansion. In Europe activity is at its highest for over a decade.

Real gross national product in the 24-nation area has been growing at an annual rate of more than 4 per cent since mid-1987, with most member countries sharing in the expansion. In Europe, where slow growth and high unemployment had appeared to become endemic, activity has expanded by more 3.5 per cent this year: the highest rate for more than a decade.

The organisation expects growth in the OECD area to slow somewhat to 3-3.5 per cent next year and to 2.5-3 per cent in 1990. Job creation also will slow, with unemployment changing little in most countries and staying above 10 per cent in Europe.

It acknowledges that it, like most other forecasters, failed to anticipate the strong growth over the past 18 months. At 4.1 per cent, OECD growth of gross national product in the first half of this year turned out to be 2.5 percentage points higher than forecast by the organisation in June 1987.

The surge of growth, it says, reflects the continued beneficial effects of the 1986 oil price decline in the industrial countries, increased confidence arising from lower inflation, moderate wage rises in most countries and improved corporate profits. A significant factor behind the higher than expected growth has been an improvement in productivity, with output per worker in the OECD growing by 2.5 per cent compared with a forecast 1.5 per cent in the year to mid-1988.

These favourable trends, which triggered a strong increase in investment, are flanked by "broadly accommodating" monetary policy and closer international economic co-operation.

The OECD report suggests that the dynamism of these forces may now subside as domestic demand decelerates in response to a tightening of monetary policies in most countries since the spring of 1988.

The resulting outlook could be one of economic growth settling to sustainable medium term rates, inflation stable at around 4 per cent and some reduction in the imbalances between the large US current account deficit and the surpluses of Japan, West Germany and the newly industrialising economies of South-east Asia.

However, the organisation warns that risks surround this projection. In particular, it "depends critically on the slowing of activity". Without such a slowdown, there could be a significant resurgence of inflation, especially in countries where pressure on productive capacity is already high.

The OECD says it would be wrong for member countries to rely on monetary policy alone to combat any revival of inflationary pressures. Instead, governments should make more forceful use of fiscal policy with a bias towards cutting government spending. Such action, particularly in the US, would take pressure off interest rates.

Fiscal restraint in many countries could help achieve a better balance between the currently low level of domestic savings and strong investment, it argues, advocating such restraint in the US, Britain, Italy, Canada, Sweden, Finland, Iceland, Spain, Portugal, Greece and Turkey because inflation there looks set to remain high or inflationary tensions are close to the surface. It sees another risk to the world economy in the persistence of the large external imbalances. In the absence of stronger action, the OECD expects the US current account deficit will remain at $100bn or more for the foreseeable future. Its economic forecast for the next two years sees Japan's annual current account surplus falling only slightly to $72bn in 1990 from $79bn this year, while West Germany's surplus is expected to grow to $52bn in 1990 from $45bn.

The report says that financing the US deficits would require continued growth of US external debt and argues that such a build-up cannot be taken for granted.

It also makes clear that similar considerations will have to apply to several deficit countries in Europe. While West Germany's trade surplus is expected to increase in dollar terms over the next two years, the current account positions of Britain, Spain, Portugal, Greece, Finland and Sweden are projected to deteriorate.

The OECD says the liberalisation and integration of financial markets in Europe should help channel funds to countries with current account deficits. However, the deficit countries will need to frame their economic policies in such a way that capital inflows are not diverted into financing public sector deficits, economically unsound investment or excessive private consumption.

The recent strong growth of the industrialised nations and reasonably favourable prospects make the present a good time for member countries to tackle issues of structural reform, says the report.

The organisation believes more can be done to reform tax systems, particularly where they inhibit saving or distort the allocation of investment.

On the international front, the OECD warns that trade protectionism remains a chronic problem.

The report singles out the search for bilateral solutions in trade issues and the initiation of numerous, sometimes economically questionable countervailing and anti-dumping procedures as two matters of growing concern.

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SUMMARY of PROJECTIONS*
(Seasonally adjusted at annual rates)

	1987	1988	1989	1990
Real GNP(%change*)**				
US	3.4	3.75	3.0	2.5
Japan	4.3	5.75	4.5	3.75
W.Germany	1.8	3.75	2.5	2.75
OECD Europe	2.8	3.5	3.0	2.5
Total OECD	3.3	4.0	3.25	2.75
Inflation (GNP/GDP deflator)(%change*)**				
US	3.3	3.25	4.5	4.75
Japan	-0.2	0.25	1.0	1.5
W.Germany	2.1	1.75	2.0	1.75
OECD Europe	4.4	4.75	4.75	4.25
Total OECD	3.4	3.5	4.0	4.0
Current Balances ($bn)				
US	-154.0	-132	-116	-108
Japan	87.0	79.0	77.0	72.0
W.Germany	44.9	45.0	51.0	52.0
OECD Europe	36.0	11.0	9.0	7.0
Total OECD	-49.1	-61.0	-50.0	-51.0
OPEC	-7.5	-21.0	-18.0	-11.0
Non-OPEC developing countries	8.4	8.0	-3.0	-12.0
Unemployment (% of Labour Force)				
US	6.2	5.5	5.5	5.5
Japan	2.8	2.5	2.5	2.5
W.Germany	7.9	7.75	7.75	7.75
OECD Europe	10.7	10.25	10.25	10.25
Total OECD	7.9	7.25	7.25	7.5
World Trade(%change***)**	5.7	9.0	7.5	7.0

*Assumptions include: no change in policies; no change in exchange rates from 2/11/88 ie $1=Y124.7 and Dm1.78; oil price =$12 a barrel for 1988 and constant in real terms thereafter.
**Average of growth rates of world import volume and world export volume.
*** From previous period

Source:OECD Outlook December 1988

Benefits of US balanced budget stressed

By Peter Norman

THE GRADUAL achievement of a balanced budget in the US over the period between 1990 to 1993 could reduce US inflation by around 1 percentage point and, by 1993, improve the US current account balance of payments by between $68bn and $70bn, the OECD believes.

Its latest half-yearly report on world economic prospects is careful not to single out the US as the only one of its 24 member nations which needs to bring its budget into better order. But it estimates that, without further action, the US could be running a budget deficit of $110bn in its 1993 fiscal year compared with a Balanced Budget Act target of zero. The US budget deficit in fiscal 1988 was $155bn.

The organisation backs up its veiled plea for a change in US fiscal policy by calculating that the use of monetary policy to achieve a one percentage point cut in inflation between 1990 to 1993 would require a sustained increase in US interest rates of up to 300 basis points starting in 1990. Such action would increase the budgetary problem because of higher debt servicing costs associated with higher interest rates.

By contrast, the OECD expects the current upward trend in short-term interest rates in most major countries to peak in the first half of next year. It forecast that US short-term rates will average around 8.1 per cent next year and 7.8 per cent in 1990 compared with 6.6 per cent in 1988. Long-term rates are projected to be around 10.6 per cent in both 1989 and 1990 after 9.9 per cent this year.

A major uncertainty at present is whether the tightening of monetary policy since the summer has been enough to ease incipient inflationary pressures, the report says. If it has not, there could be further upward pressure on interest rates carrying considerable risk for the world economy.

Higher interest rates could hit business investment world wide. They could aggravate problems in the savings and loans and farm credit sectors in the US, as well as create debt servicing problems where corporate debt has been increased sharply through leveraged buyouts. Higher interest rates could also increase the debt problems of the developing countries.

It therefore recommends fiscal tightening in the US in the context of international monetary co-operation. Such action would bolster confidence in the dollar and help ensure a "soft landing" for the world economy in 1989 and beyond.

The OECD appears particularly concerned about the US fiscal deficit because it is one of the issues on which foreign exchange markets have focused since the election.

It says the currency markets have also focused on whether further correction of the US current account deficit – which the OECD projects at around $132bn this year – will require an additional substantial improvement in US competitiveness.

On its usual measure, says the organisation, competitiveness in the US is now at its most favourable level since 1970 at least. On the other hand, increased US manufacturing exports will not be sufficient to close the current account deficit. Financing the current account deficit will depend on investors outside the US increasing the dollar assets in their portfolios.

The OECD believes it would be unwise to conclude that external imbalances such as the US current account deficit no longer represent an important threat to international financial stability.

In the case of the US, action to reduce the budget deficit would improve the overall balance of savings and investments in the economy and so contribute to a faster adjustment of its current account.

Tighter fiscal policy prescribed for UK

By Peter Norman

BRITAIN IS one of several industrialised countries where fiscal policies will have to be restrained next year to combat inflationary pressures, the OECD reports.

Although the organisation assumes that tax changes in Britain next year will be limited to compensation for inflation, it projects a further deterioration in the current account balance of payments.

The current account deficit is expected to increase from $23bn this year to $26bn in 1989 and $29bn in 1990. The OECD, which has used the exchange rates of November 2 in drawing up its projections, anticipates no reversal of British current account trends in its two-year forecast period. It projects a deficit of $15bn in the second half of 1990.

The Paris-based body said the tightening of monetary policy in Britain since the middle of this year should slow economic activity during next year, while recent high capital spending should help ease capacity constraints.

Yet, given the present tensions in the economy, it will take time before inflationary pressures subside sufficiently for the economy to return to its earlier path of disinflation.

Meanwhile, the rising current account deficit will remain high by international standards. The OECD estimates that the deterioration in the British current account from around $4bn in 1987 may have resulted in output in the rest of Europe being about half a percentage point higher than it otherwise would have been.

The report says Britain's large stock of net foreign assets resulting from earlier current account surpluses could mean that a series of current account deficits should be easy to finance. But it warns that international capital flows can be highly volatile and subject to abrupt changes in market sentiment, which can translate into capital outflows and downward pressure on the exchange rate.

In Britain's case, however, government spending plans represent a tightening of the fiscal stance in the current financial year to April 1989 and in 1989-90. Providing tax changes next year do no more than adjust for inflation, the Government's fiscal policy should reduce the risk of a deterioration of market sentiment about sterling, the OECD says.

Looking ahead, it sees no significant improvement in Britain's low savings rate, which has been a major factor behind the ballooning current account deficit. It projects that savings as a portion of disposable income will hover around 3.5 per cent in 1989 and 1990 compared with 3.75 per cent this year and 5.4 per cent and 7.3 per cent in 1987 and 1986 respectively.

The OECD expects British interest rates will stay high. Growth of gross domestic product is forecast to slow significantly from a projected 4.25 per cent this year to 3 per cent in 1989 and 2 per cent in 1990. It foresees a sharp decline in the growth of the economy in the period to the middle of next year with GDP growth continuing at around 2 per cent, or somewhat below potential output, for the following 18 months.

Inflation, as measured by the GDP deflator, will rise to 6.25 per cent next year from 5.75 per cent in 1988. This measure of inflationary pressures is expected to hover around 5.75 per cent in 1990.

Premadasa will need all his determination

David Housego looks at the problems facing the newly-elected president of Sri Lanka

SRI LANKANS often bemoan in these days of crisis the opportunities the country has let slip since independence to prevent the downward slide into ethnic and terrorist violence which has put their democratic institutions at risk.

The change of leadership which has brought Mr Ranasinghe Premadasa to power as President is thus seen by many as offering a fresh chance of getting back on the rails after the crumbling and discredited authority of the outgoing President Junius Jayawardene.

Mr Premadasa won on the basis of a turnout of 55 per cent – which though low by historical standards in Sri Lanka is enough to give legitimacy to the result.

Though violence and intimidation marred the vote, the election passed off more peacefully than most officials and politicians had expected – especially compared with a month ago when there were dire predictions that the election could not be held.

The fact that more than 50 per cent of voters braved threats by the extremist Sinhalese People's Liberation Front (JVP) and the Tamil Tigers, both of which called for a boycott of the election, marked something of a defeat for the terrorist movements – particularly the JVP which sees itself as having a nationwide popular Sinhalese following.

But Mr Premadasa faces problems that would daunt anybody less self confident or less determined than he. Whatever psychological blow the elections have dealt the extremists, they remain powerful movements with a strong base in two provinces. The economy has been paralysed by the disruption of recent months, with popular discontent mounting because of job losses and rising prices.

Universities have been closed for more than two years and schools for over two months. The country remains divided into two by the Tamil insurrection in the north with an Indian peace-keeping force of 60,000 – anathema to Sinhalese nationalists maintaining control in one half of the country.

In addition, the dissolution of Parliament yesterday by President Jayawardene means that Mr Premadasa must make his initial dispositions under the shadow of an early general election.

A diplomat yesterday described Mr Premadasa as "a new type of political animal (in Sri Lanka) with whom most us have yet to come to grips". Unlike the aristocratic politicians who have led the country since independence, Mr Premadasa comes of a low born washerman caste.

At 62, he is broadly built, dark skinned, well groomed with sleek brushed back hair and speaks English with the formality of a man who taught himself. He entered politics in the 1950s as a trade union organiser under a demagogic labour leader – demonstrating even then a flare for public speaking and getting things done. After the rout of the UNP in the 1956 election, he rebuilt the party with Mr Jayawardene – an alliance of two men who had little in common but whose skills complemented each other.

Mr Premadasa remains unloved by the traditional leadership of the UNP and even in August was almost squeezed out from being the party's presidential candidate.

As Minister of Housing, mayor of Colombo (a post he still holds) and in the more honorific position of Prime Minister, he has built up a reputation as a man who is ruthless, brooks no opposition, works immensely hard, and is an efficient organiser.

He is closely in touch with the capital's underworld of gamblers, drug traffickers and criminals – who have helped him build links to the JVP.

In terms of economic policy, he is a strong believer in market economics, and would like to encourage foreign investment and cut protective tariffs to stimulate investment. His dream would be to make Sri Lanka another Singapore – a disciplined hard working society more geared to raising living standards than preserving western style democratic institutions. His critics accuse him of being "fascist".

At the same time he has been the minister most closely in touch with the problems of the poor and most aware of the links between poverty and terrorism. His manifesto included a pledge to provide a Rs2,500 (£42) a month revenue for the 700,000 poorest families as part of a larger programme of poverty alleviation. As Minister of Housing he has been responsible for a controversial, unconventional mass housing programme.

For the immediate future, his main concern will be the forthcoming parliamentary elections. As President, he need a strong majority in parliament to buttress his power. President Jayawardene had a two thirds majority that he won in 1977 – and kept in place by not dissolving Parliament until yesterday.

Mr Premadasa's offer of a dialogue with the JVP is an attempt to get them back into the mainstream of politics through contesting the parliamentary elections.

Supporters of Ranasinghe Premadasa celebrate yesterday

But he has little hope of it succeeding. Hence the tough language he used yesterday in attacking terrorism. His close colleagues speak of hunting down the JVP through every village and condemn President Jayawardene for his squeamishness – notwithstanding the 2,000 dead of recent weeks.

If the offer of dialogue with the JVP fails, they expect Mr Premadasa to be more single minded in attempting to crush the movement before the election.

Khartoum state of emergency declared

THE Sudanese Government placed Khartoum under a state of emergency yesterday following reports of an attempted coup, officials said, according to Reuter in Khartoum.

They said the move giving police wide powers of arrest was needed because of important security issues and more details would be made public later.

The newspaper, al-Sudani, said the Government had foiled a coup attempt on Sunday by "racists", a term used to describe non-Moslem and non-Arab Sudanese mainly from the south of the country involved in anti-state activity.

The decision to declare a state of emergency was taken on Monday night by a committee chaired by Mr Hassan al-Tourabi, the Attorney General, who is also a deputy Prime Minister and Minister of Justice, the officials said.

Swiss-S Africa loan

The Swiss banks which participated in a controversial SFr 55m (£20.3) term loan to the South African Government were Swiss subsidiaries of foreign banks, according to Volksbank, the paying agent for the loan.

Responding to press reports of the loan, Mr Caesar Meier, senior vice-president of the Zurich-based Volksbank, said he could not divulge the actual identities of the banks concerned because the loan had been made in the form of a private placement.

However he stressed that his own bank was only involved as paying agent and had not subscribed to the loan itself. He said the loan was for three years, and not ten years as reported, and the transaction was completed three weeks ago.

Cairo shoot-out

A shoot-out in which police killed three Moslem militants at a Cairo flat has raised the stakes in the confrontation between the Egyptian authorities and Islamic fundamentalists, Reuter reports from Cairo. One was Sharif Mohammed Ahmed Sharif, accused of killing a plain-clothes officer found in his car 12 days ago in Cairo's Ain Shams district with his neck slashed.

Iranian uranium find

Iran will start to export from proven reserves of uranium totalling 3,000 tons found in the central Iranian province of Yazd, Tehran radio said yesterday, AP reports.

Red Cross pulls out

The all-Swiss International Committee of the Red Cross announced yesterday the immediate suspension of its humanitarian operations in Lebanon after last Friday's release of a kidnapped delegate was followed by new threats against the lives of its staff.

Soviet-Japanese ties

Mr Eduard Shevardnadze, the Soviet Foreign Minister, promoted Soviet investment opportunities to Japanese businessmen and officials yesterday, but his offer of an investment protection agreement was turned down, Reuter reports from Tokyo. Mr Shevardnadze, on a four-day visit to Japan, said in a speech to several hundred people in Tokyo that there was wide scope for foreign investment in the Soviet Union.

Australia lifts sugar import embargo as refinery strike bites

By Chris Sherwell in Sydney

A FOUR-WEEK strike by about 200 sugar refinery workers in Melbourne has forced the Australian Government to lift a 70-year embargo on imports to ensure supplies and keep sweet factories operating.

The strike has hit output for the Victorian and Tasmanian markets, and union action has prevented supplies coming from other states. The temporary suspension of the embargo will allow imports of refined sugar into Melbourne from New Zealand and other locations.

The dispute comes a few months before the Government is due to lift the embargo permanently and replace it with a set of decreasing tariffs on raw and refined imported sugar. Sugar is the only Australian commodity still protected by an embargo, and this is an embarrassment as the Government campaigns internationally for free trade in agriculture.

The operator of the strike-hit plant is CSR, Australia's largest miller and refiner, which has sought the mediation of the Arbitration and Conciliation Commission. Its workers have made a series of demands, including one for a A$40 (£18.75) a week pay increase, which is outside existing wage guidelines.

With confectionery and soft-drink manufacturers clamouring for action as sweet factory workers were laid off – and some shops reported to be rationing sugar to their customers – the Government was left with no choice but to act.

In doing so, Mr John Kerin, the Primary Industries Minister, bitterly attacked the strikers, whom he condemned as "mavericks" imposing hardship on thousands of other workers.

He also over-rode objections from the state government and from cane-farmers in Queensland, where most of Australia's sugar is produced. Of the record total of 3.6m tonnes expected to be produced nationally in the current year, only 800,000 tonnes is likely to be consumed domestically.

The remaining 2.8m tonnes is just under half the levels shipped by the world's biggest exporters, Cuba and the European Community. Most of Australia's exports go as raw sugar to Japan, China, Malaysia and Canada.

Jakarta gets tough on stock dealings

By John Murray Brown in Jakarta

INDONESIA yesterday introduced new rules for its stock exchange in a move aimed largely at limiting damage after the first bull run in the bourse's 11-year history.

Announcing the changes Mr Johannes Sumarlin, Finance Minister, said the regulations targeted the problems of insider trading and monopolies. The measures are also expected to encourage the large state pension funds to use the market.

This follows three days of hectic trading which has pushed the index through 400 points, compared with 83 points at the start of the year, with turnover close to $1m (£546,000). In one hour's trading on Friday, cut short as usual to allow Moslem brokers to attend prayers, more than 150,000 shares changed hands. A normal daily turnover is 8,000 shares.

Brokers say the gains followed increased foreign interest after rules last December allowing overseas investors to buy Indonesian stock. The rise was also prompted by local newspaper reports that Bimantara, a company owned by a son of President Suharto, was buying block shares – a charge the company denied.

The measures are the latest in a string of reforms aimed at broadening the market's base, to provide a home for overseas and domestic capital and a source of funds for highly geared local companies. In a further move to increase the market's liquidity the Government is preparing to float some of the 215 state corporations whose assets are estimated in excess of $80bn.

Jakarta today lists just 24 shares, 16 of which are foreign joint ventures such as Unilever and BAT. They use the market to avoid divesting a majority to local partners and preserve industrial and management patents. Under present rules foreign buying is restricted to the remaining eight stocks. However, Jakarta brokers said yesterday that in the latest flurry overseas investors were using local proxies to get round the rule.

Israeli parties ponder coalition deal

By Andrew Whitley in Tel Aviv

ISRAELI politicians were putting the final touches yesterday to the country's new coalition government, in which Labour will share power with its main rival, Likud, under the leadership of Mr Yitzhak Shamir, the Prime Minister.

A written agreement on the coalition's guidelines was due to be signed last night by the two party leaders. Thereafter, the process of ratification by each side will begin.

Mr Shamir, who has displayed a sure political touch over the past seven weeks in steering the hectic negotiations with Israel's plethora of parties to the conclusion he sought from the start, still faces one final hurdle: his own party. Likud's extreme right, championed by Mr Ariel Sharon, the maverick former Defence Minister, is noisily venting its opposition to the concessions made by the Prime Minister to Labour.

Last night's meeting in a Tel Aviv suburb of Likud's central committee was expected to be as tumultous as ever. But politicians were confident that Mr Shamir – threatening to abandon the task of forming the government in favour of Labour's leader, Mr Shimon Peres, if he does not get his way – would prevail.

Mr Sharon, protesting that Likud's agreement to team up again with Labour was bound to lead to the establishment of a PLO-run state in the occupied territories, has ill concealed his own annoyance at failing to recapture the defence portfolio he was forced to abandon in 1982.

This key post, responsible for handling the Palestinian uprising, will stay in the hands of Mr Yitzhak Rabin, the senior Labour politician.

A key figure alongside Mr Shamir is the man who ran Likud's election campaign and who has been nominated as Israel's next Foreign Minister. Mr Moshe Arens, who has previously served as both ambassador to Washington and, briefly, as Defence Minister, is a hardliner on the question of the occupied territories. He will be Israel's "point man" over the coming months in rebuffing the Bush Administration's expected attempts to soften Israel's refusal to talk to the Palestine Liberation Organisation.

At the Finance Ministry, Mr Peres may appear to the Likud to be safely out of the way of foreign affairs. But it is most unlikely that the Labour leader will willingly confine himself to tackling such domestic issues as the threatening debt mountain accumulated by the kibbutzim, Israel's rural collectives.

As the acknowledged number two man in the government, Mr Peres's desire to achieve a breakthrough in the peace negotiations will undoubtedly be maintained within the policy-making inner cabinet. Here Labour will, as before, have equal representation with Likud.

Labour, like Likud, still has to sell the coalition agreement to its own central committee, at a meeting scheduled for today. In a mirror image of the difficulties being encountered by Mr Shamir, left-wing opposition to joining another national unity government is likely to make itself heard within Labour.

The discontent being heard yesterday from almost all quarters in Israel was deafening. The religious camp was in uproar, loudly accusing the Likud leader of having cynically abandoned his repeated pledges to them. Ha'aretz, the august daily of the establishment, joined in the furore with an editorial which spoke of Labour's "betrayal" of its constituents.

Which of the minor parties will eventually swallow their pride and join the new government was still undecided last night. Tehiya, the party of the secular right committed to the annexation of the West Bank and Gaza Strip, was wavering over whether its leader, Mr Yuval Ne'eman, should accept the Science and Technology Ministry.

The three ultra-orthodox parties were similarly unclear about the merits of being in the government. Mr Shamir continues to insist that he will abide by his commitment to amend the controversial "Who is a Jew?" legislation in the near future; but the sense of confidence in his promises is none too strong at present in Mea Shearim and Bnei Braq, the country's religious fortresses.

Nauru report seeks A$72m phosphate compensation

By Chris Sherwell

BRITAIN, Australia and New Zealand should contribute A$72m (£33.8m) towards the rehabilitation of Nauru, the tiny South Pacific island whose phosphate deposits have made its 6,000 inhabitants the richest in the region while wiping out their homeland.

This is the finding of a Nauru government-appointed commission of inquiry, set up to establish responsibility for rehabilitation and to assess its feasibility. The commission's ten-volume report has just been tabled in Nauru's parliament by President Hammer DeRoburt.

The three governments were members of the British Phosphate Commissioners, otherwise known as the "phosphateers", who in 1919 took over the mining of centuries-old bird droppings.

When Nauru became independent in 1968, control of the industry passed to the government's Nauru Phosphate Corporation, which bought the physical assets of the commissioners for some A$21m and continued the mining. The resource is now close to exhaustion.

The process has left four-fifths of the eight sq mile island looking like a moonscape, and pushed Nauruans into living on a narrow fertile section between the phosphate plateau and the beach. But it has also given them a notional per capita income estimated as high as £5,500 a year. These proceeds have been invested abroad, including in property assets in Melbourne and Washington. These have yielded unevenly, but they have not provided a place to resettle.

The three governments say the phosphate agreement at independence absolved them of any liability for rehabilitation of the land which was mined out before 1968. The commission's estimated rehabilitation costs are A$216m. For land mined before 1968 the figure is A$72m. The costs include removal of limestone pinnacles, recovery of residual phosphate, site excavation and addition of topsoil.

S Korea to free political prisoners at Christmas

By Maggie Ford in Seoul

MORE THAN 2,000 people are to be released from jail in South Korea or have their civil rights restored in a Christmas amnesty of political detainees.

The Government's decision to allow 281 imprisoned political activists to go free marks its first big response to opposition demands on this issue since President Roh Tae Woo was elected a year ago.

Included among those released or amnestied are a number of leading politicians formerly charged with offences and several key dissident figures.

Opposition and dissident groups welcomed the announcement, while regretting the Government's failure to release several jailed union leaders.

The decision to release a large number of political prisoners follows the Government's failure to persuade the opposition to agree to an amnesty for ex President Chun Doo Hwan. Mr Chun, who took power with the help of Mr Roh in a 1979 military coup, is in exile at a mountaintop monastery. He apologised publicly for his misdeeds last month.

Yesterday he sent a letter to a parliamentary committee inquiring into the corruption and brutality of his regime, offering to give private testimony to National Assembly members.

Opposition leaders, backed by public opinion, have said that although they do not seek revenge, Mr Chun can be pardoned only after he has revealed the details of the past.

The former leader's future presents a serious political problem for President Roh. Televised public hearings into the 1980 killings by the military in the city of Kwangju continued yesterday and families of the dead demonstrated near the Presidential mansion demanding that the truth be revealed.

Court saves Koor from immediate liquidation

By Andrew Whitley in Tel Aviv

A TEL AVIV judge yesterday saved Koor Industries, the large Israeli conglomerate, from imminent voluntary liquidation by permitting its bankers to reopen temporarily blocked credit lines.

Failure to have done so would have left the banks unable to renew important guarantees falling due on December 31.

The court also granted Koor and its foreign creditors a further month in which to negotiate a settlement of the legal action initiated by Bankers Trust of New York on October 9. A bank steering committee headed by Manufacturers Hanover requested the postponement, saying that "substantive" negotiations with the Israeli company were in progress.

An affidavit from Manufacturers Hanover stated bluntly that the foreign banks had not accepted the company's recovery plan in the form it was presented to them on November 10. It insisted, in particular, that any settlement would have to give the 25 foreign creditors a "first out" option on repayment of their debts.

Judge Eliyahu Vinograd, an elderly and widely respected judge, ruled yesterday that in dealing with the Koor case he was also taking into account the wider national interest. With an annual turnover approaching $3bn, the labour federation-owned group is the biggest industrial concern in the Middle East, and its collapse would cause untold knock-on damage to the Israeli banking and manufacturing sectors.

The appointment of a liquidator, as Bankers Trust has requested, could have triggered off the eventual demise of the entire business empire controlled by Hevrat Ha'Ovdim, the labour federation holding company.

Children bear Third World debt burden, says Unicef

By Joel Kibazo

CHILDREN have borne the heaviest burden of the Third World debt crisis as many developing countries have slid backwards into poverty, according to a report by the United Nations Children's Fund (Unicef) published yesterday.

The report, State of the World's Children, highlights the impact of the external debts of developing nations and looks back on the last ten years of achievements for the world's children.

It estimates that half a million children died last year as a result of the slowing down or reversal of development programmes in some of the world's poorest countries.

In the 40 least developed countries, governments had reduced health spending by 50 per cent and on education by 25 per cent since the beginning of the 1980s, the report claimed. Throughout Africa and Latin America, it said, average family incomes had fallen by between 10 and 25 per cent and child malnutrition was on the increase.

Mr James Grant, Unicef's executive director, who compiled the report said: "For almost 900m people, approximately one sixth of mankind, the march of human progress has now become a retreat."

The report said developing countries had been derailed by a 30 per cent fall in the price of raw materials, and the accumulation of a debt of more than $1,000bn. Repayments on capital and interest were claiming 25 per cent of export earnings and the poor countries were now transferring $20bn a year more to the rich countries than they received in new aid and loans.

State of the World's Children. Oxford University Press. Unicef, 55, Lincoln's Inn Fields, London WC2A 3NB. £3.25.

Peace moves leave Syria sitting on the sidelines

Superpower rapprochement and Arafat's new strategy have isolated Damascus, reports Victor Mallet

SYRIAN policymakers must have been gritting their teeth earlier this month as they watched the Israeli and Soviet governments hobnobbing and exchanging compliments over the successful return of four captive hijackers from Tel Aviv to Moscow.

Worse was to come. The US then decided to lift its 13-year ban on talks with the Palestine Liberation Organisation, accepting the moderate overtures of Mr Yassir Arafat, the PLO leader, and temporarily confounding the Syrian belief that compromise with Israel does not pay.

The Syrian government, traditional protege of the Soviet Union and supporter of extremist Palestinian factions, maintained a stony and isolated silence. The month of December has provided a series of grim reminders for Damascus that classical Cold War rules no longer apply in the Middle East.

While the US maintains its generous military and economic assistance to Israel, the Soviet Union has told Syria to abandon its dream of "strategic parity" with the Israeli enemy and to keep up to date with repayments on its $15bn Soviet military debt. As if to rub salt in Syria's wounds, Moscow and most of its east bloc allies have embarked on a diplomatic rapprochement with Israel.

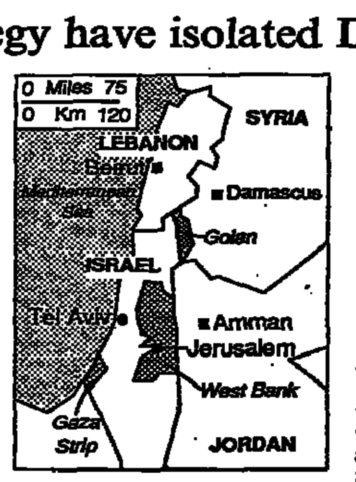
The Soviets need Syria's military facilities and they still regard the country as a staunch regional ally. But it is hardly surprising in the present diplomatic climate that President Hafez al-Assad has so far failed to make his expected visit to the Soviet Union this year, or that the 3,000 or so Soviet military advisers in Syria are reported to be declining in number by some western embassies in Damascus.

Relations have also improved between Syria and the US, although these two improbable partners were thwarted by hardline Christians in their recent joint attempt to choose a president for neighbouring Lebanon.

In Syrian eyes US-Soviet detente should be as unpopular in Tel Aviv as in Damascus. Under pressure from both superpowers, Israel will have to fight hard to resist taking part in an international Middle East peace conference.

Yet with the US still solidly backing Israel even as it talks to the PLO, and the Soviet Union being less than liberal with Syria, Syrians are concerned about the effects of detente on the balance of power in the Middle East.

Assad: biding his time



"If the Americans are not going to change their policy, it means that the Soviets have to reconsider their Middle East detente policy," said Mr Farouq al-Sharaa, the Syrian Foreign Minister.

It is a difficult time for President Assad. His old enemy Mr Arafat has stolen the international limelight, accepting the existence of Israel and abandoning most of historic Palestine to the Jews by pressing for a Palestinian mini-state in the occupied territories.

"This policy that compromises the principles is not going to pay off," said Mr al-Sharaa. "This is gambling not policy-making. There is no evidence whatsoever that the Israelis would be ready to accept any of the national rights of the Palestinian people."

Other Arab states, in particular Egypt, Jordan and Iraq (for whose rival Baathist President, Mr Saddam Hussein, Mr Assad harbours a particular loathing), have rallied around Mr Arafat. At the same time there are moves afoot to rehabilitate Egypt, disgraced in Arab eyes by its peace treaty with Israel in 1979.

Only Libya, Syria and Lebanon have not resumed relations with Cairo, and even Syria has mellowed. Mr al-Sharaa confirmed that relations with Egypt had become slightly less frosty after Cairo's decision to defy Israel and recognise the symbolic Palestinian state proclaimed in November by the Palestinian parliament in exile.

But he suggested that warmer relations were more the result of Egypt turning away from Israel than a case of Syria trying to make friends with moderate Arab states. "We have refrained from attacking Egypt in our media for quite some time now," he said.

In Lebanon, where Iraq maliciously supports Christian fighters to needle Mr Assad, Syria is unable to impose its will despite the presence of more than 25,000 of its troops.

Any influence that Syria had in the Gulf through its alliance with Iran has been dissipated by the Gulf war ceasefire. And at home, where several security services compete for influence, a number of suspected Iraqi sympathisers are said to have been detained and interrogated in the Deir ez Zawr region near the Iraqi border.

Syrian officials say defiantly that Damascus has not been left on the sidelines of Middle East politics, but that view can perhaps be equated with the arrogant British adage: "Fog in Channel – continent isolated".

Few people doubt that Syria has been marginalised and weakened by recent events, most of them outside its control. Members of the Syrian government insist, however, that they still have the power of veto over any Middle East peace settlement which ignores Syrian demands. Most important of these demands is the return of the Golan heights annexed by Israel.

President Assad, renowned for his patience and caution, seems content to bide his time in the belief that concessions which are made by Mr Arafat and his moderate Palestinian supporters will yield no substantial response from Israel or the US.

An uncompromising and far-sighted Syria is seen as the logical counterpart to an intransigent Israel, and Syria is waiting to pick up the pieces if Mr Arafat's Middle East initiative collapses.

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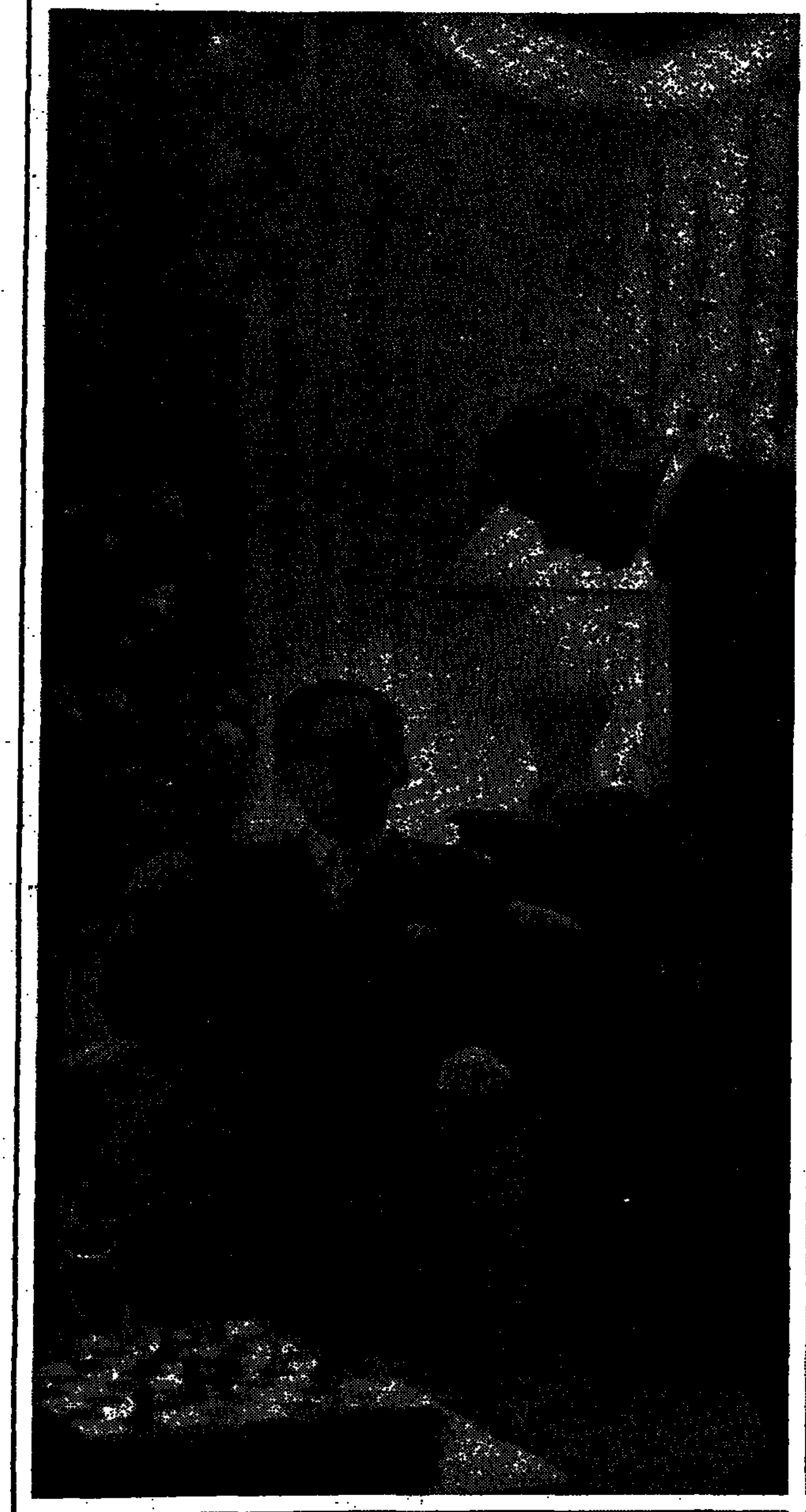

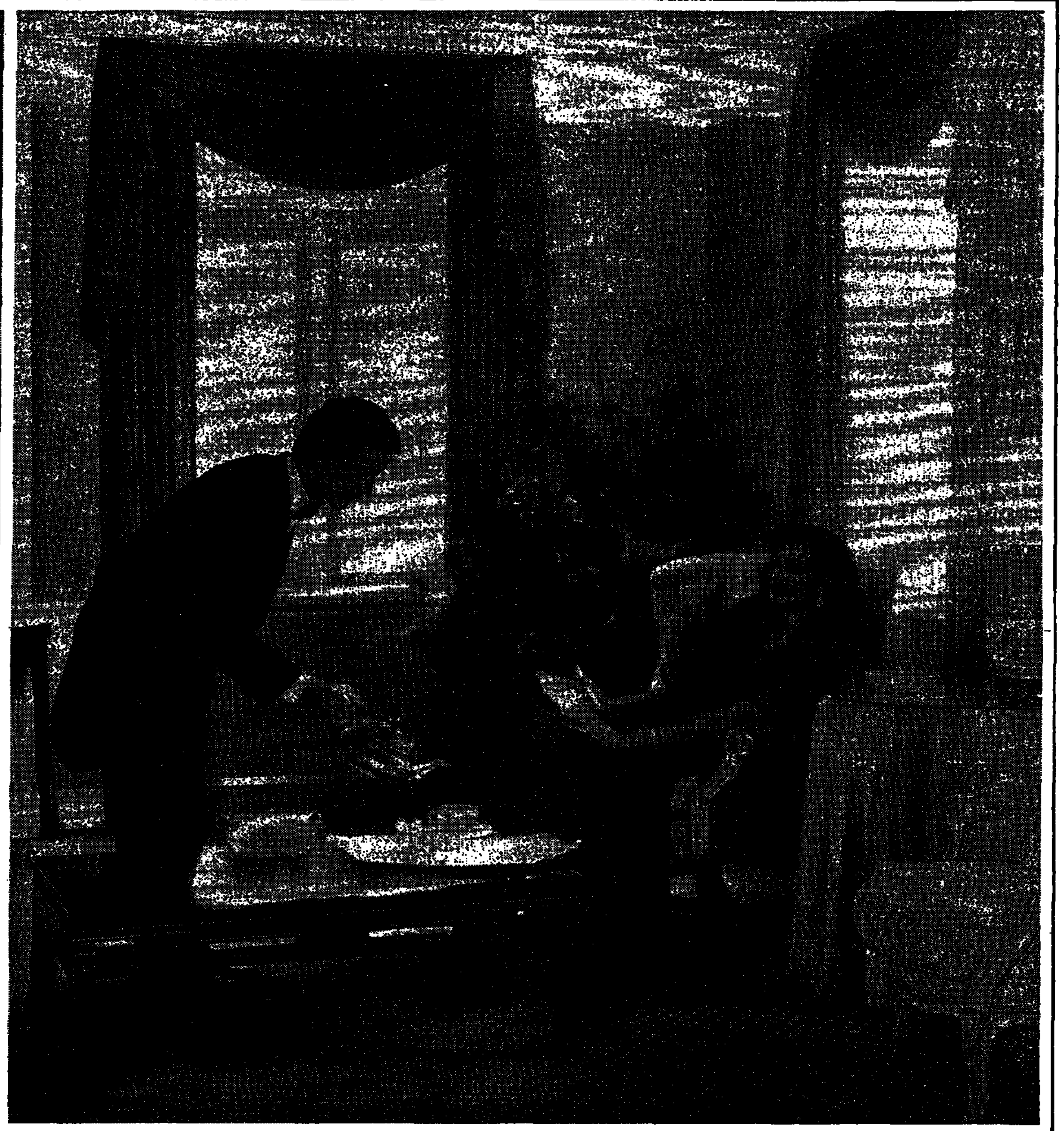

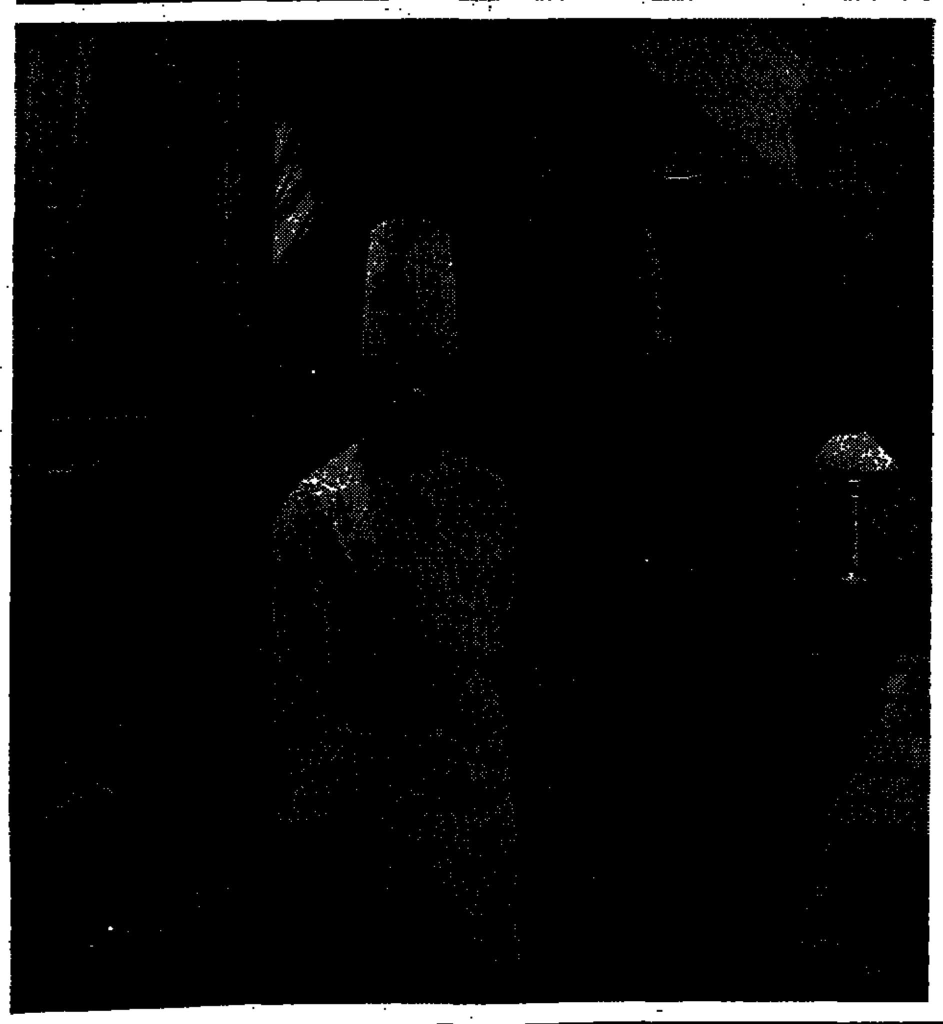

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AMERICAN NEWS

Bush names Laxalt to the Economic Commission

By Lionel Barber in Washington

PRESIDENT-ELECT George Bush yesterday appointed Mr Paul Laxalt, the former conservative Republican Senator from Nevada, and Mr Thomas Ashley, a former Democrat Congressman from Ohio, to the National Economic Commission.

The Commission was set up by Congress last year to draft a bi-partisan approach to cutting the $150bn Federal budget deficit. Mr Bush said the appointments underlined the importance he placed on reducing the deficit, the latest in orchestrated post-election statements aimed at reassuring the world's financial markets.

The selection of Mr Laxalt, a long-time friend of President Reagan and a former Republican presidential candidate, appears to strengthen Mr Bush's case against raising taxes, a position the Vice President stressed again yesterday. Mr Laxalt apparently stepped in when Governor Henry Bellmon of Oklahoma turned down an offer to serve on the Commission.

Yesterday, before he announced the appointments, Mr Bush predicted a battle with Congress in the budget negotiations next year, but he pledged: "I intend to hold the line on taxes."

Mr Bush's problem is that the commission's Democratic co-chairman, Mr Robert Strauss, has said higher taxes will have to be part of a deficit-cutting package. And Mr Drew Lewis, the panel's Republican co-chairman, has suggested cutting Social Security retirement benefits for the wealthy.

Both suggestions clearly contradict the Vice President's campaign pledges. The Commission is therefore expected to delay publishing its conclusions until later next year when a deadlocked administration and Congress would presumably welcome a "deus ex machina" solution to the budget.

The President-elect acknowledged yesterday that his credibility on reducing the deficit is open to question. "I'll just do my level best to send signals to the international markets that we're serious, that we are projecting it down firmly," he said.

Mr Bush added that once his message got across, "the adverse psychology that is forcing interest rates up beyond where in my view they ought to be, will turn around."

Separately, Mr Bush is under pressure from anti-abortion groups who supported him in the election to drop Dr Louis Sullivan, president of Morehouse School of Medicine from consideration for the Cabinet. Dr Sullivan is the leading candidate for Secretary of Health and Human Services and would be the first black in the Bush Cabinet.

● US inflation moderated in November, causing the consumer price index to rise only 0.3 per cent, compared with 0.4 per cent in October.

Glimmer of hope in a political mire

Tim Coone in Managua reports on the moves towards a Central American parliament

WHEN MAOISTS, Marxists, Conservatives, Liberals, Christian Democrats, Socialists and Sandinistas can sit around a table and discuss unity without insulting each other, or worse, without pulling pistols from under their *guayabera* shirts, then something significant must be happening.

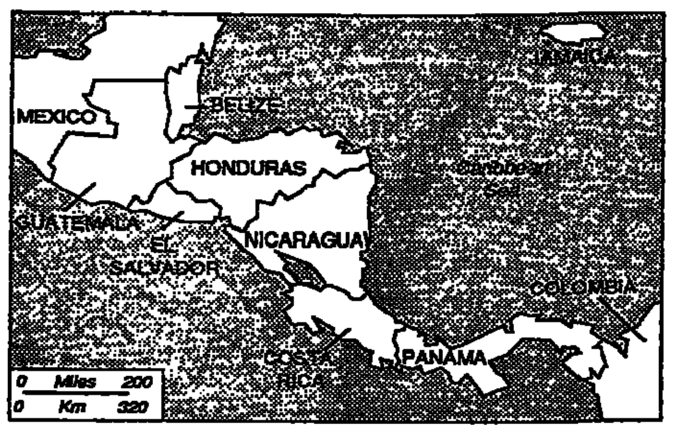
Precisely such a disparate grouping of Central American politicians met in Managua recently to review progress towards the creation of a Central American parliament.

Not an insult was heard, and if pistols were being toted, they had probably been left behind in the hotel bedrooms once it transpired that Major Robert d'Aubuisson and his right-wing Arena party from El Salvador had decided to boycott the meeting (Major d'Aubuisson is reputed to have organised his country's death squads).

The proposal for the parliament came from President Venecio Cerezo of Guatemala in 1986 as a means of reducing political and military tensions in the isthmus and was subsequently embodied in the Esquipulas II Central American peace accords.

Once the treaty for its establishment has been ratified by each nation's legislative body, each country is to elect 20 representatives to the parliament. So far Guatemala, Nicaragua, Honduras and El Salvador have ratified the treaty. Surprisingly, only Costa Rica, from whence came President Oscar Arias' peace plan, remains the obstacle.

According to Mr Cristian Tatenbach, president of the opposition United Social Christian Party (PUSC) in Costa Rica: "Although both parties (the ruling Liberation party and the PUSC) are in favour of the parliament, neither wants to face the test of an election before the Costa Rican general elections in February 1990."



Once Costa Rica ratifies the treaty, elections to the Central American parliament must be held within six months within each country.

Once established, a longer-term goal is for economic integration and the creation of a regional common market for the 30m inhabitants of Central America. As one Honduran delegate to the conference said: "It is vital for our region's economic survival."

Dr Rafael Solis, the Sandinista vice president of Nicaragua's National Assembly, expressed more immediate concerns.

"Economic integration comes later. The immediate goal is a political one to discuss and reduce the tensions in the region."

One of his opponents, a Nicaraguan conservative said: "It is a nice idea, but a parliament without any power will not be able to achieve much."

Previous attempts at unity, both this and last century, foundered over political and economic rivalries.

In the last century, post-independence wars between Liberals and Conservatives destroyed the first Central American confederation.

This century the Central American Common Market, founded under the Kennedy-inspired Alliance for Progress industrialisation programme, collapsed with the El Salvador-Honduras Football War of 1969 which started with a football riot. The battle was fought over a frontier dispute, although ultimately it was a conflict over growing trade imbalances and industrial rivalries as a result of the common market.

Today, the political differences appear deeper than ever, but paradoxically it is precisely for that reason that a new effort for Central American integration might finally succeed.

The guerrilla wars in Nicaragua, El Salvador and Guatemala are draining their economies and threatening the political stability of all three.

The relative calm in Honduras and Costa Rica is only a stone's throw from political violence.

In Nicaragua, the socialist experiment has been forced to adopt a conservative economic policy. In El Salvador, the guerrillas are reading the lessons of Nicaragua.

In Guatemala, President Cerezo stands a hair's breadth from a military coup. Economic growth and co-operation are being seen throughout the isthmus as the way forward to alleviate internal political pressures, and the Central American parliament is seen as the first step down that long and winding road to economic integration.

According to Senator Humberto Pelaez, the president of both the Latin American parliament and the Andean parliament, who gave words of advice at the meeting in Managua:

"You are the region of Latin America that needs its own parliament more than anywhere else in Latin America or even the world. For what happens here affects us all."

The message from the Colombian senator was that the political cauldron of Central America is the test case for the Latin American continent.

If differences in Central America can be resolved by debate rather than debacle, where poverty and political violence is worse than anywhere else on the continent, then there remains hope for the rest.

Manitoba withdraws backing for Meech Lake

MR Gary Filmon, Manitoba's Conservative Premier, has withdrawn support for Canada's Meech Lake constitutional agreement, saying a First Ministers' conference should be called immediately to amend the human rights clauses, Robert Gibbens reports from Montreal.

Mr Filmon, who leads the province most opposed to bilingualism and the use of French, put the blame squarely on Mr Robert Bourassa, Quebec Premier, and his policy of enforcing the use of French language on signs.

Of the 10 provinces, only Manitoba and New Brunswick have not signed the accord. The agreement provides a way for Quebec to join the federal constitution, from which it was excluded in 1982.

Autolatina abandons price guidelines

Autolatina, the holding company which operates Ford and Volkswagen's operations in Brazil and Argentina, has become the first big company to admit it is abandoning the guidelines under the social pact sponsored by the Brazilian government, reports John Barham in Sao Paulo.

The pact of government, trade unions and employers was created as a forum to set voluntary monthly price limits. The pact had agreed that prices should only increase 25 per cent in December. However, inflation this month is expected to rise by almost 30 per cent.

Autolatina is believed to be under pressure from its suppliers who have increased prices far in excess of the pact's targets.

Drug trafficking convention signed

A United Nations convention against drug trafficking was signed by 43 countries yesterday, enabling them to freeze and confiscate bank accounts and extradite suspects, Reuter reports from Vienna.

The convention, when ratified by the necessary 20 nations, will commit signatories to toughening laws against drug dealing and providing mutual legal assistance in fighting narcotics rings.

SEC funds gap limits buy-out checks

By Anthony Harris in Washington

THE US Securities and Exchange Commission would like to make more thorough checks on corporate disclosure to shareholders in leveraged buy-outs, but would have to reduce other activities to do so, Mr David Ruder, the SEC chairman, told a Congressional Panel yesterday.

He said the SEC was also short of resources to pursue all the broker-dealers currently suspected of fraud in the penny-stocks market.

He denied, however, that the Commission's negotiation of an out-of-court settlement with Drexel Burnham Lambert was the result of inadequate resources, and hinted that the SEC hoped to obtain evidence from Drexel to pursue other prosecutions.

He added that resource allocation was a big factor in SEC decisions as to whether to prosecute cases, but not as to whether to settle out of court.

The prime purpose of the hearing, before a panel of the House Commerce Committee, is to determine the SEC's budget. The SEC collects far more money in fees than it spends but its revenues are paid to the US Treasury, and its expenditures are set by a Congressional appropriation.

The Commerce Committee is thought to favour budgetary independence for the SEC.

Caridi may retire in wake of rebellion

By Janette Staubus in Buenos Aires

ARGENTINA is likely to have a new army chief of staff by the end of this week as a result of the rebellion earlier this month.

Gen José Dante Caridi, the fourth army chief of staff since President Raúl Alfonsín took office in December 1983, is believed to have informed the President on Monday of his wish to retire. His decision follows three weeks of intense activity within the army high command after the mutiny by commando units at two bases in Buenos Aires.

The departure of Gen Caridi was a central demand of the rebels, led by Col Mohamed Ali Seineldín. The departure date they fixed – before December 23 – has become almost a symbol of the disposition of power within the country. If Gen Caridi resigns on or before then the rebels will undoubtedly see it as a victory.

President Alfonsín backed Gen Caridi throughout the four-day rebellion, despite the obvious lack of military support for the army chief of staff. But last week, Gen Caridi announced his support for the rebels, adding that he had only disagreed with the means they chose to force them home. He thus distanced himself from President Alfonsín making his resignation easier to accept.

Latin American, Caribbean economic crisis 'worse'

By Barbara Durr in Santiago

THE economic crisis of Latin America and the Caribbean, now in its eighth year, is at its most acute, according to the preliminary 1988 report of the United Nations Economic Commission for Latin America (Ecla).

Although prices for the region's exports rose in 1988, this did not translate into higher growth rates. The region's growth in national product was barely 0.7 per cent, a significant drop from 1987's rate of 2.5 per cent. This year's fall has meant a 1.5 per cent fall in per capita Gross National Product, lower by 6.5 per cent than in 1980, and has reduced real wages.

The greater export earnings were overtaken by net transfers of capital to service debts which carried higher interest rates. Also, as has been the case since the debt crisis broke in 1982, external financing has been severely restricted. The region transferred nearly $29bn in 1988, some 4 per cent of its entire GNP.

Mr Gert Rosenthal, executive secretary of Ecla, who presented the 1988 regional report, said: "The debt has become a Gordian knot." For the situation to improve, he said, the net transfer of capital from the region since 1982 had to be reversed.

Inflation for the region this year was nearly double that of 1987.

For the first time this year, the sum of Latin American debt was reduced. Due largely to debt conversion schemes in Brazil, Mexico, Chile and Bolivia, the region's debt fell by $9bn since 1987 to $401bn.

Mr Rosenthal said that for Latin America to crawl out of its prolonged recession during the 1990s improved capacity to import, better economic management and structural changes that removed obstacles to growth were required by the region.

WORLD TRADE NEWS

US ready to hit back at EC on meat imports

By William Dullforce in Geneva

US RETALIATION against imports from the European Community will come into effect on January 1, unless the EC changes its mind about imposing its ban on US hormone-treated meat, Mr Michael Samuels, the Deputy US Trade Representative, said in Geneva yesterday.

He spoke after the council of the General Agreement on Tariffs and Trade (Gatt) had failed to resolve the long-running hormones-in-meat dispute which threatens to ring in a transatlantic trade war with the New Year.

The US will impose restrictions on imports from the EC which will equal in value the US estimate of its exporters' losses from the EC hormone directive, which Mr Samuels put at $120m (£66.6m) a year.

EC foreign ministers on Monday approved a list of US products on which duties of up to 100 per cent would be imposed in counter-retaliation but decided that implementation would not be automatic on January 1.

Neither side wants a trade war over a $100m-$120m business, but neither can find how to circumvent domestic, political imperatives.

"We offered them a way out," Mr Samuels said yesterday. "We offered again to have the matter handled under the Gatt standards code. If they want to take that option, they could delay implementation of their directive."

The EC has consistently refused to submit its hormones directive to the settlement procedure provided for under the code.

Officially known as the agreement on technical barriers to trade, the code aims at ensuring that government regulations on health, safety or consumer protection do not create unnecessary obstacles to trade.

Mr John Beck, the acting head of the EC delegation to Gatt, reiterated the EC argument that the code does not cover production methods and that the use of hormones to fatten cattle is a production method.

The EC had done everything it could to minimise the damage to trade caused by its directive, but European consumers had the right to refuse to eat hormones in their meat, Mr Beck said.

US retaliation was justified by no Gatt rule, was the consequence purely of domestic legislation and represented "a further affront to the multilateral trading system".

EC starts dumping probe on dot matrix printers

By William Dawkins in Brussels

THE European assembly plants of 11 of Japan's leading producers of dot matrix computer printers, including seven in the UK, are being investigated by the Brussels Commission for using an unfairly high proportion of allegedly dumped components.

If the European Commission can substantiate the complaints, brought by the EC's four top printer makers, the companies involved could face substantial anti-dumping duties on their output in the Community.

All 11 are already paying duties on their direct exports to the Community from Japan and are accused of assembling in the EC to try to circumvent those original levies. Only last month, the Community Governments imposed definitive levies on 15 Japanese exporters of dot matrix printers, which had earlier been subject to provisional duties.

Since the first case under the so-called "screwdriver" regulation in August last year, inquiries have been launched on European-assembled electronic typewriters, weighing scales, excavators, photocopiers and ball bearings. Japanese companies were involved every time.

IMF pleads the case for unilateral farm reform

Going it alone may be the best strategy, reports the Fund. Peter Montagnon examines its argument

INDUSTRIAL countries would benefit economically by unwinding their support for agriculture unilaterally without waiting for agreement in the Uruguay Round of multilateral trade negotiations, according to a study by the International Monetary Fund.

In a graphic illustration of the costs of farm support, the IMF points out that dairy support in the US during 1986 worked out at $1,400 per cow. Half the world's population earns less than this in terms of per capita gross domestic product.

The study was prepared before this month's Montreal trade ministers' talks, but it provides what is in effect a critical postscript to a meeting that was dominated by lack of progress on farm reform because of the failure of the US and EC to agree a common long term goal.

The view that free trade in agriculture is only politically feasible if all countries act together is now widely accepted, it says, but in fact unilateral liberalisation may provide greater benefit to the liberalising country as a whole than multilateral liberalisation because of the much greater welfare benefit to consumers.

"It does not make economic sense to delay unilateral measures to obtain multilateral liberalisation. Liberalisation of agriculture by individual industrial countries is particularly important because this sector generally receives the highest level of support, resulting in net taxation of non agricultural sectors," the IMF says.

The study cites figures from the Organisation for Economic Co-operation and Development which show that consumers and taxpayers in the main industrial countries spent a total of $219bn on farm support between 1984 and 1986, but it says there is also a large hidden "welfare cost" because farm incomes did not increase by an equivalent amount.

"Assistance to one sector has to be paid for by other sectors, with adverse effects on efficiency, competitiveness, and overall macroeconomic performance," it adds.

Trade barriers against Mexico have become a "binding constraint" on further development of its non-oil exports which nearly doubled in the two years to 1987, the IMF says.

This has reduced domestic political support for further liberalisation in a country which, alongside Chile, is one of only two developing countries to have bound or fixed all its tariffs in the General Agreement on Tariffs and Trade (Gatt). This is generally recognised as a mark of good trade citizenship.

Among the barriers faced by Mexico are anti-dumping duties imposed by the EC on synthetic fibre exports and restraints on steel exports to the US.

The IMF says Mexico provides one example in support of the developing country argument that trade restrictions imposed by industrial countries hinder their integration into the world economy and their resolution of debt problems.

The IMF praises Australia and New Zealand for the unilateral action they have taken to reform their farm policies, the incentive for which was their weak underlying economic performance in the early 1980s.

"The agriculture sectors in Australia and New Zealand have sustained some loss of income, but this loss has been partially offset by the incentives to produce non-traditional agricultural commodities. These policies have fostered structural adjustment and, particularly in New Zealand, have helped to improve its fiscal position and overall macroeconomic performance."

The study suggests that some industrial countries would benefit more by unilateral liberalisation of their farm sectors than by participating in multilateral liberalisation through the Uruguay Round.

These countries would import more food, and consumer welfare would increase substantially because the domestic price decline would be greater than under multilateral liberalisation which would have the effect of raising general price levels on world markets.

Under both multilateral and unilateral liberalisation, farm producers in the EC and Japan would loose heavily but this loss would be more than offset by gains to other groups in their own countries.

However, though it stresses the virtue of unilateral liberalisation, the IMF also notes that a multilateral liberalisation of agriculture would bring additional benefits because world prices would rise, reducing the adjustment cost to farmers.

In particular, it says US farmers would benefit because they are low-cost producers of many commodities, especially grains. They could be expected to increase exports to currently protected markets, especially with the removal of the land set-aside scheme.

The impact on developing countries from farm liberalisation in the industrial world would be mixed, the IMF says. Asia and Latin America would have overall net welfare gains, but Africa, excluding North Africa, would suffer a substantial loss because of its large cereal imports.

Issues and Developments in International Trade Policy. IMF Occasional Paper No 63. $7.50 from External Relations Department, Publications Service, International Monetary Fund, Washington DC 20431.

Brazil bars sale of Apple computer clone

By James Barham in Sao Paulo

BRAZIL'S National Informatics Council has ruled that a small Sao Paulo company will not be allowed to sell what it claims is the world's first clone of Apple Computer's Macintosh personal computer.

The ruling emphasises Brazil's more defensive interpretation of its protectionist computer industry policies.

Although enshrined in constitutional law, the Brazilian government has relaxed its once-rigid enforcement of the policy.

Unitron has been lobbying Brasilia for approval to sell its clone for three years.

Brasilia had originally approved the computer, based on a "reverse engineering" of the Macintosh. US and Apple officials opposed the sale of the 1024, claiming it represented a clear case of piracy of Apple software.

Monday's vote marks the end of Unitron's appeals to administrative tribunals. It says it will now apply to a federal court to overturn the ruling.

Norway gas exporters fear exclusion after 1992

By Karen Fossli in Oslo

NORWAY'S gas exporters, which supply the European Community with about 25bn cubic metres of gas annually, have expressed fears that the Norwegian government is playing too passive a role in seeking to involve the country in the EC debate on how the energy sector will function after 1992.

Debates on the common energy market principle is one-sided, favouring consumers and distributors at the expense of the producers and suppliers, according to Mr Terje Osmundsen, head of the gas division of Saga Petroleum, Norway's largest independent oil company.

Norway's gas exporters' greatest fear is that harmonisation of taxes and duties could lead to a lower market value of gas.

The high costs of producing gas from Norwegian fields makes it price-sensitive, therefore if high taxes are levied on its import, the economic viability of developing Norwegian gas fields could be undermined, Mr Osmundsen believes.

"The Government should consider to take the initiative to approach Brussels about gaining formalised access for Norway to the EC energy debate whereby we would have some influence, he added.

"The point of departure for Norway's approach should be the reciprocity which the EC itself demands."

Mr Osmundsen pointed to the initiatives taken by the EC to integrate Switzerland and Austria into the transport sector debate which concerns cross-border transport policies.

In this area, the EC was willing to extend its co-operation with EFTA countries, and should therefore be willing to extend its co-operation with Norway in the energy debate, Mr Osmundsen went on.

There are a number of energy directives currently being worked out by the EC which will affect the cross-border trade of oil and gas. Saga Petroleum fears these directives may preclude the long-term price stability of gas.

BAe wins Thai Airways order for two jets

By Michael Donne, Aerospace Correspondent

British Aerospace has won an order, worth an estimated £27.6m, for two of its Type 146 Series 300 four-engined regional jet airliners from Thai Airways International.

BAe regards this deal as "a significant endorsement" of the 146 from "one of Asia-Pacific's most respected and important carriers", providing a boost for further orders for the aircraft among other countries in the region.

The two aircraft, due for delivery in the first weeks of 1989, will be used by Thai International to link Bangkok with major centres throughout Thailand.

● The US group Rockwell International and the West German aircraft manufacturer Panavia/MBB yesterday announced that they planned to co-operate on the development of a new US version of the Tornado jet fighter developed by Germany, Italy and the UK. MBB already has a 42.5 per cent stake in the Tornado joint-venture.

Nissan plans Amsterdam headquarters for Europe

By Laura Raun in Amsterdam

NISSAN, the Japanese car-maker, plans to establish a European headquarters in Amsterdam as part of efforts to strengthen its European activities in the run-up to 1992.

Distribution facilities in the Netherlands also will be enlarged to prepare for growing demand, although current facilities could handle another 10-20 per cent increase in demand, a Nissan spokesman explained yesterday. Investments will amount to more than Fl 80m (£22.2m), according to the City of Amsterdam.

Nissan apparently is seeking to strengthen its hand in negotiations with the European Community over import quotas in advance of the internal market's completion in 1992. It wants to be seen as a bona fide European company with full-fledged operations and the more cars flowing into the EC when a quota is finally set, the better off Nissan will be.

At present Nissan sells around 400,000 cars in Europe and manufactures in the UK and Spain. About 200,000 are imported through the Netherlands, another 100,000 through other European countries, and 100,000 are sold in the UK. For its part, the Netherlands is vigorously touting itself as a convenient entrepot to Europe for foreign companies, particularly in the run-up to 1992. It has two large ports and well-developed transport links to the European hinterland.

Nissan's move is a clear example of heightening competition between EC members, since the Netherlands is siphoning off business from Nissan's Belgian office and defying France and Italy in their efforts to curb car imports.

The new headquarters will be ready in April 1989 and will be followed by a new telecommunications centre. They are designed to better co-ordinate sales, service and marketing so Nissan can respond more quickly and efficiently to the regional market.

Nissan already has sizeable activities in the Netherlands. These include national operations for the Netherlands itself, and an import centre.

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UK NEWS

British Gas told to give way on industrial tariffs

By Max Wilkinson, Resources Editor

BRITISH GAS has been warned that it must agree to allow the Government's regulator to supervise its industrial tariffs or face another political row.

Mr James McKinnon, director general of the Office of Gas Supply (Ofgas), has told the company that unless it reaches agreement with him early in the new year, he will refer the question to Lord Young, the Trade and Industry Secretary.

The argument centres on the amount of flexibility British Gas will be allowed to retain over a new schedule of tariffs for industrial customers.

Under the rules established two years ago when British Gas was privatised, the company has complete discretion to negotiate prices with larger users. However in October, the Monopolies Commission said industrial tariffs must be published and that all customers with similar requirements should pay the same.

Since then, Mr McKinnon has been negotiating a change in the British Gas licence under the Gas Act, to put these recommendations into effect.

Both sides agree that the company should continue to set whatever prices it believes appropriate in the industrial market. However, Mr McKinnon is insisting that the initial structure, the price schedule, and any future changes to it must be approved by Ofgas.

Since the new price schedule is due to come into effect on April 1 and a month of consultation is required for any change in the British Gas licence, agreement must be reached early next month.

Because of this tight timetable, British Gas wants to retain as much flexibility as possible to offer alternative tariffs to meet different customers' needs. For customers agreeing to allow supplies to be cut off in cold spells, tariffs may be linked to competing fuels. However, Ofgas's insistence that any indexation clauses should be transparent and non-discriminatory gives British Gas a problem.

Framework for privatised water groups published

By Richard Evans

THE MODEL contract, or licence, that will govern the operation of the 10 regional water authorities in England and Wales when they are privatised next November was published by the Department of the Environment yesterday.

The model provides the framework under which authorities will publish accounts, levy charges and provide levels of service when they become public limited companies after flotation.

Most of the details concerning key items such as the charging formula have yet to be decided by the department and the authorities' advisers.

A lengthy series of negotiations will continue in the coming months as the Water Bill goes through Parliament.

The bill had its first committee stage hearing yesterday, when the model contract was presented by Mr Michael Howard, the environment minister responsible for water privatisation.

It contains the main provisions for the system of economic regulation of the water industry after privatisation, which the Government intends will ensure that the interests of the consumer are safeguarded.

Much of the regulation closely follows the formula used in the flotation of British Telecom. Charges will be based on the retail price index plus or minus a factor which can be changed every five years.

Water industry leaders believe the success of the flotation, expected to raise between £5bn and £8bn, will depend on the financial provisions still to be worked out.

BR sells catering subsidiary for £20.5m

By Joel Kibazo

TRAVELLERS FARE, British Rail's station catering subsidiary, has been sold to the management for £20.5m, Mr Paul Channon, Transport Secretary, announced yesterday.

The sale was by competitive tendering. BR would not disclose who else had bid for the company but said the management offer was the best overall.

The 10-strong management buy-out team, led by Mr David Baily, the managing director, contributed to the purchase price and was backed by 3i, the venture capital company.

The team will take charge of 270 outlets at 140 stations in England, Scotland and Wales.

In the year ending April 1988, Travellers Fare had an operating surplus of £7.5m on a turnover of £74.1m.

Station catering was separated from the train food operations in 1986 and Travellers Fare became a limited company last year as a prelude to privatisation.

The first stage of the sale began in autumn 1987 when 21 sites were disposed of by private tender while the remaining outlets were retained by Travellers Fare.

Mr Baily said Travellers Fare was looking forward to developing the Casey Jones, Upper Crust, Quicksnack, Coffee Shop, Healthy Treats, Hot Favourites and Pizza Pasta brand outlets at premises leased and rented from BR.

He said: "We shall be consolidating our position in the first year but after that we shall be looking for opportunities to expand to off-station sites, which we have been unable to do up to now."

Mr Jim O'Brien, joint managing director of BR, who was responsible for the sale, said: "The management have built up a reputation for customer service and I have no doubt they will seize every opportunity to develop the business."

Mr Alan Walker, a director of 3i said: "There is still great scope for expansion and station traffic is still on the increase, which means more sales opportunities for the Travellers Fare outlets."

Army kept waiting for its Christmas gift

David White tracks the tanks battle which has produced a challenge for Challenger 2

AMONG all those people who have been agonising over Christmas presents, few can have had such a tortured time making up their minds as the British Government over buying the Army a tank.

The British Army of the Rhine, smarting from having its seasonal parties cancelled this year, will be getting a new main battle tank: it will probably be another British one; but it is not getting the final decision until after next Christmas.

Vickers Defence Systems, which put in its bid in March last year with the Challenger 2, can be reasonably confident of the full £1bn-plus order as long as it meets a tight schedule of conditions over the next 21 months.

If it fails, the competition will be thrown open again. In that case, the West German Leopard 2 could come back into the running alongside the M1A2 Abrams from General Dynamics of the US.

The UK's quibbles with the Leopard's armour protection and turret design left the field for the initial decision to the US and British contestants. At stake is the eventual supply of between 500 and 600 tanks to replace the remainder of the British Army's outdated Chieftains. The new tanks will operate alongside 400 Challenger 1s, which are still being delivered from Vickers.

As Army commanders like to say at the end of a gruelling exercise, this week's decision was a close-run thing. There was little to choose between the two tanks in terms of promised performance or price.

The Army itself was divided, with at first a strong loyalty to the British tank with its famous armour, but with a growing pro-Abrams lobby in recent weeks as worries mounted about Vickers' ability to produce the goods in time for deliveries to start in 1993. Earlier this month, the M1A2 programme for the US Army was approved by the Defense Acquisition Board. Many felt the US tank was a safer option.

The split was reflected in the Ministry of Defence and in the Cabinet committee charged with making the choice, where Lord Young, the Trade and Industry Secretary, made a vigorous defence of the British option.

Neither tank, however, was ready. What General Dynamics had was an immediate predecessor, the M1A1, in service since 1986, and recognised as a perfectly good tank, arguably the best in operation.

Challenger 2 also has its predecessor, but it falls short of that description. It was designed in the first place for Iran (not by Vickers, but by Royal Ordnance. When RO was privatised last year, Vickers took over its Leeds tank site). Its chassis and armour are widely admired but it is vulnerable in the crucial area of gunnery. Last year it came last in the Canadian Army Trophy against other Nato tanks. The M1A1 Abrams came first.

The Challenger 2 will have the same "hull" and engine but a new turret, new Marconi gun control equipment, a fire-control computer developed by CDC of Canada (which also supplies the Abrams), a new transmission and strengthened armour, and will incorporate the new L30 gun which has been developed as the Challenger main armament by Royal Ordnance and the MoD's Royal Armament Research and Development Establishment.

The spectre that has hung over the choice is that of the Nimrod airborne radar project, which the UK Government, reluctant to admit that the equipment was never going to perform the task, backed to the tune of almost £1bn before cancelling it two years ago and spending a further £860m on off-the-shelf US early-warning aircraft.

This was not the only worrying precedent. Another, named (perhaps too aptly) the Alarm, provided striking parallels. Shortly after the Nimrod saga, the Government cancelled an RO contract to provide the rocket motor for the Alarm, an anti-radar missile for the RAF's Tornado strike aircraft.

Alarm had been chosen ahead of a Texas Instruments rival, the Harm, which the RAF is reported to have preferred. The US missile was further down the road in terms of development, but the UK project incorporated later technology. The choice was based on wanting to keep this capability in the UK. The Commons Defence Committee reported earlier this year that the project was £260m over budget and several years behind schedule.

The financial risk involved in Vickers' £90m development contract is, however, much smaller.

Like its foreign rivals, Vickers is not relying 100 per cent on UK technology. The Challenger 2 commander will have a French-supplied panoramic sight with a laser rangefinder. For that matter, the Abrams uses a German-designed 120mm Rheinmetall gun, the same as the Leopard 2. Krauss-Maffei, prime contractor for the Leopard 2, is associated with Vickers in the latter's Mark 7, a main battle tank for the export market.

So far, however, none of the plans for full-scale collaboration – between the US and West Germany, France and West Germany, and the UK and West Germany – has come to anything. Debate continues about the relative merits of the rifle-bore gun, as used by the UK, and smoothbore used in the other three countries' latest models.

Although heavier and slower than the Abrams, the 72-tonne, diesel-engined Challenger 2 is claimed to have some advantages over the Abrams, which has higher fuel costs and a problem in dealing with an exhaust that could make it a prey to heat-seeking missiles.

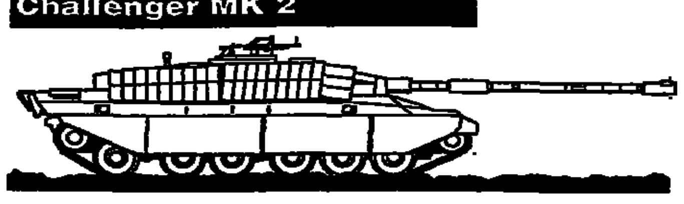
Vickers gathered support not only from opposition MPs but also from a large group of Conservative backbenchers, persuaded by the company's arguments that 10,000 jobs and £12bn export market were at stake. The imminent market for tanks, not including spares, in the Middle East and North Africa is put at £3bn. But that includes such countries as Iran, where UK companies are currently not allowed to sell arms, and Saudi Arabia, where the front-runner, albeit with a Vickers turret, is the Brazilian Osorio.

The UK company has so far not managed to sell its Mark 7 tank. It says Morocco, Kuwait and Pakistan have all been waiting for the UK choice before considering British tanks.

In the tank business, opportunities come around only every 20 years. The worry at Vickers is that the UK Government's hesitation may already have impaired its export chances.

Parliament, Page 12; Leader, Page 16

Vickers defence systems : Challenger MK 2



Gun: 120mm Royal Ordnance, rifled
Fire control system: Digital fire-control computer by CDC, Canada
Crew: Four
Engine: Perkins diesel, 1200bhp
Weight: 62,000 kg
Speed: 35 mph (road)

Ford aims to step up production of cars in Britain

By Kevin Done, Motor Industry Correspondent

FORD, the leader of the UK car market, is aiming to substantially increase its UK car production next year in an effort to improve its own rapidly deteriorating UK trade deficit.

The share of UK-built cars in Ford's UK sales has fallen to 57.27 per cent in the first 11 months of this year from 69.74 per cent in the same period of 1987 under the impact of a two-week strike in February and the preceding months of unofficial industrial action, which cost the company 74,000 vehicles, including 65,000 cars.

Ford was forced to boost imports of cars from continental plants to try to make up the shortfall. This has been a factor behind the sharp increase in the share won by imports in the UK car market in 1988.

Mr Derek Barron, chairman and chief executive of Ford Motor, UK subsidiary of Ford Motor of the US, said yesterday that the company was planning to increase its UK manufacture to at least 75 per cent of UK sales in 1989.

The company had started 1988 with low stocks and "for ten months we were unable to achieve the stock levels we wanted. We missed all sorts of sales opportunities and suffered extended delivery times."

Ford's share of the UK new car market has dropped to 26.41 per cent from 28.61 per cent a year ago. car sales volume has increased by only 1.97 per cent compared with a 10.48 per cent jump in the total UK new car market. It hopes to restore its share to close to 30 per cent next year.

Ford's total UK vehicle production will be slightly higher in 1988 at an estimated 491,234 compared with 472,886 in 1987. UK car production has fallen slightly to 376,111 from 383,429 a year ago.

CORRECTION

Finance for Ford cars

YESTERDAY'S FT report on Ford's car prices should have said that the company was offering two-year loans on Fiestas and Escorts with a 50 per cent deposit at an effective interest rate of 7.5 per cent. The company is also offering four-year loans with a 20 per cent deposit with an effective interest rate of 15.1 per cent.

The Christmas party with little cause to celebrate

Joel Kibazo examines why so many in the capital are in temporary lodgings or sleeping rough

A DISUSED warehouse at Vauxhall, south London, is the unlikely venue of one of the biggest of this year's Christmas events.

Many of those taking part, however, have little cause to celebrate. For the warehouse will be housing the Open Christmas organised for the past 17 years by the charity, Crisis at Christmas, to bring food, shelter, warmth and entertainment to some of London's homeless during the Christmas period.

One of those expected to be there is Mr Steven O'Ruke. He left his native Dublin three months ago to look for a job in London after eight months without work. Since then he has been employed for just two weeks.

Mr O'Ruke, aged 18 but looking far younger, stayed at first with an aunt. Forced to leave, he moved in with friends until they could no longer afford to keep him. Today he is homeless.

For two nights, he wandered the streets, sleeping in Underground stations. Then he turned up on the doorstep of the Piccadilly Advice Centre in London's West End, where volunteers provide information and advice on availability of housing in London. Now he has become one of the lucky ones, with a bed at Centrepoint, a night-time shelter in London's West End also run by volunteers.

Mr O'Ruke is one of the 50,000 people estimated by Crisis at Christmas to be homeless in London.

Of those, 11,000 are sleeping rough – in boxes under Hungerford Bridge, along the Embankment or in parts of the Underground network. The numbers are rising, Crisis at Christmas says, with the ranks swollen by young people in particular.

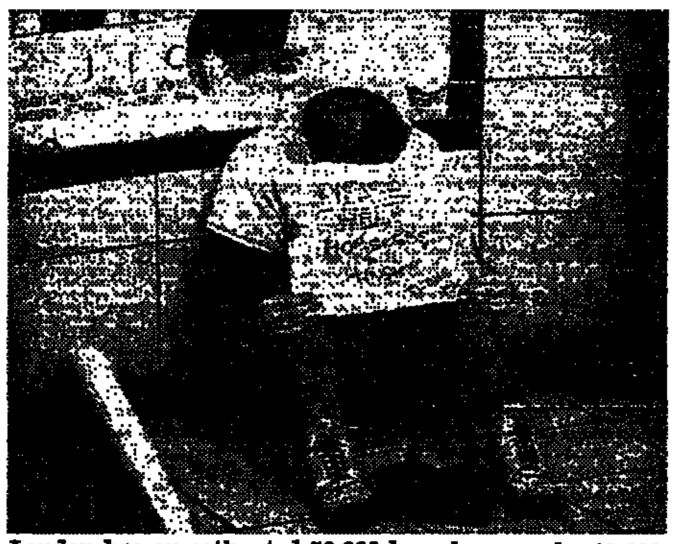
Among them are people released from prison or other institutions with nowhere to go and people who have moved to the capital in search of work.

There are, too, those whose homes have been repossessed by building societies or banks as a result of mortgage repayment defaults.

Those without either a home or a job then fall into the housing trap: because they are unable to give a fixed address, employers are reluctant to recruit them.

Factors behind the upsurge in homelessness, according to Shelter, the housing pressure group, include low incomes and breakdowns of personal relationships.

The Labour-controlled Association of London Authorities argues that a lack of council flats and houses also contributes to the rise.



London has an estimated 50,000 homeless people: 11,000 are sleeping rough and the numbers are growing

Local authorities have a statutory duty to house homeless families. In addition they must house single people regarded as being vulnerable – people with mental or physical disabilities, or infirm pensioners. Most London councils, however, say they have no empty housing.

Mr Maurice Barnes, chairman of the ALA housing committee, said: "Unless we build solid brick homes, Londoners will continue to find themselves living on the streets.

"It is time the Government grasped this fact. London has slipped into a quite desperate situation where it is normal for young families to live in grotty and dangerous bed and breakfast accommodation; where it is expected that young people will bed down at night on the South Bank and at Charing Cross."

The Department of the Environment says that Lord Caithness, the Housing Minister, is reviewing government policy on homelessness. But according to Mr Clive Soley, Labour's housing spokesman, any review could be too little, too late.

He said: "When the Government say they are reviewing policy, what they mean is they are going to make it more difficult for people other than families to be classed as homeless. Thus the numbers of homeless people will grow. It is getting to crisis point."

Critics of the Government claim that social security changes in April have made the problem worse. Under the changes, homeless people can no longer automatically get grants from Social Security offices for overnight stays in cheap hotels.

The grants are discretionary and often refused, according to a recent report from Central London Social Security Forum, an umbrella grouping for organisations dealing with social security matters.

The abolition of supplementary benefit, which was payable in advance, and its replacement with family income support, payable two weeks in arrears, means homeless people have no way of paying rent for the first fortnight if they do find a place to live, the report says.

Another of the changes made in April means that single people newly arrived in London can claim unemployment benefit from the same local office for only a maximum of eight weeks.

The aim is to encourage unemployed single people to seek work elsewhere. Critics of the change say that two months to find a job is not long enough.

Mr Kevin Wright, senior project worker at the London Connection Centre, a day centre for London's young homeless recently opened by Prince Edward, said: "The jobs are available but it can be difficult for homeless people to motivate themselves beyond the need for a house to the need for a job unless they are settled in accommodation."

At Vauxhall, the Open Christmas starts on Christmas Eve and continues for the following five days and nights. At least 1,000 people usually resident on the streets will have shelter and meals, including a traditional dinner on Christmas Eve.

A further 1,000 people are expected to pass through the makeshift centre at various times to enjoy a warm meal.

A medical team consisting of doctors, nurses, dentists and chiropodists will be on hand, providing some of those coming in from the streets with the only medical attention they will have received in a year.

Financial services in Scotland 'may be a weakness'

By James Buxton, Scottish Correspondent

SCOTLAND'S financial services industry, widely considered to be a source of strength in the Scottish economy, may actually be an area of weakness, according to two academics.

They say the industry has failed to benefit either from growth in the UK financial sector or from improvements in technology which have shifted employment from London to the regions.

Professor Paul Draper and Mr Bill Stewart, two senior academics from Strathclyde University in Glasgow, base their argument in part on statistics which show that between 1981 and 1984 employment in financial services in Scotland grew 4.2 per cent, compared with growth in Britain as a whole of 8.3 per cent, and by more than 16 per cent in areas such as the south-west and East Anglia.

The authors acknowledge that the employment statistics do not cover the post-Big Bang period however, they argue that recently the Scottish banks, the Royal Bank of Scotland and the Bank of Scotland, have been squeezed by competition in the corporate sector.

The majority of the Scottish life assurance companies have mutual status which may make them more conservative in their approach, and they are likely to be threatened by the recent decision of the regulatory body Lautro to enforce the disclosure of commissions paid to intermediaries.

The authors say that the Scottish investment management sector is mainly concentrated in slower-growing activities and has been slow to exploit opportunities for expansion. Scotland's relative position in the sector since Big Bang is likely to have declined since the entry of new players has been mainly concentrated in London and the south.

The authors say that the Scottish financial sector does not have a strong base in the local economy because Scottish economic performance has been inadequate. As a result many institutions such as banks have found their best growth prospects south of the border, raising the prospect that their headquarters activities might follow them.

They conclude that Scotland's financial sector can only prosper if it adapts to a new environment in which the customer is largely indifferent to ownership and location of headquarters.

The survival of the Scottish financial sector, by Paul Draper and Bill Stewart. Quarterly Economic Bulletin, Fraser of Allander Institute, Strathclyde University.

Press freedom at risk, warns survey

By Raymond Snoddy

GOVERNMENTS of democratic countries such as Britain are increasing their interference with the press, the International Press Institute warns in a survey on freedom of the press around the world.

Mr Peter Galliner, director of the Swiss-based institute, cites the UK as "a dismaying example of how a country with a long proud democratic tradition can go a long way towards betraying its liberal past".

The IPI criticised the decision by Mr Douglas Hurd, the Home Secretary, to ban all radio and TV interviews with members of the IRA and its political wing Sinn Fein and the earlier decision forcing broadcasters to hand over untransmitted film of events preceding the killing of two soldiers in Belfast.

The move "could put crews covering events in Northern Ireland at serious risk."

The Institute is also concerned about government plans to reform the Official Secrets Act.

As far as the press is concerned, the IPI believes the most serious shortcoming of the plans is "the absence of a positive defence that the publication was in the public interest or that the information had already been published elsewhere as in Spycatcher (Peter Wright's memoirs).

"One of the saddest truths facing the media around the world today is the growing trend towards government interference in democratic countries."

Ironically, the IPI notes that as pressure increases in democracies, some countries which had been tightly controlled were slowly moving towards greater openness.

Private steel group buys scrap merchant for £8m

By Nick Garnett

SHEERNESS STEEL, the Kent-based private sector steel company, has bought Parry Brentford Holdings, a London scrap merchant, in a further move in the restructuring of the British scrap industry.

The purchase, for slightly more than £8m, will virtually double Sheerness Steel's ferrous scrap capacity.

Sheerness already owns the Car Fragmentation scrap business and the acquisition gives it a total of eight scrap processing locations in the south-east with an annual processing capacity of 500,000 tonnes.

Steel production at Sheerness, which is majority owned by Co-Steel of Canada, has risen by 50 per cent in the past two years to more than 700,000 tonnes a year.

Most of the scrap processed by Parry Brentford will go directly into steel-making at Sheerness. The company said this would improve its ability to convert scrap into steel for use in construction projects such as in London's Docklands.

The main theme in the restructuring of the scrap industry has been the sale to dedicated scrap companies of businesses owned by general engineering companies.

Wales start-ups rise 53%

By Anthony Moreton, Welsh Correspondent

THE NUMBER of businesses set up in Wales last year rose by 53 per cent, according to a review of the economy by the Welsh Development Agency.

At the same time, the number of failures fell by 17.8 per cent, a better figure than the 13.5 per cent recorded for the UK as a whole.

The figures confirmed the economy was in a strong position to sustain future growth according to Dr Gwyn Jones, chairman of the agency. He said: "We still have much to do to secure our position as a leading European regional economy but all the signs are good and the agency is confident the growth curve will be sustained."

Confidence was boosted, he said, by the way in which Wales was winning inward-investment projects.

Wales captured 19.5 per cent of all inward-investment projects in the UK, representing an investment of more than £1bn.

The inward flow of businesses continued this year, a further 31 arriving, or announcing their intention to set up shop, in the first 11 months. These will, when completed, bring 4,200 jobs.

Housing funding attacked

By Anthony Moreton

THE GOVERNMENT was criticised yesterday for not spending enough on housing in Wales.

The Welsh district councils complained, after a meeting in Cardiff with Mr Ian Grist, parliamentary secretary at the Welsh Office, that the projected 1 per cent increase in capital spending was "totally inadequate".

The Government has allocated £197m towards housing in Wales for 1989-90 whereas the councils, dominated by the Labour Party, have urged that the amount should be increased by 75 per cent to £350m.

The councils also warned the minister yesterday that some rents would have to rise by at least £3 a week under the proposed system of capital controls.

Mr Graham Court, of Rhymney Valley, said: "Because district councils will only be allowed to use a quarter of their capital receipts from housing sales under the new system, we could lose between £250m and £500m in spending power for new capital investment over the next 10 years."

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UK NEWS

Low net investment trend continues in unit trusts

By Eric Short

UNIT TRUST activity last month continued the trend seen throughout 1988 with high sales, a high level of cash-in of units and low net investment overall.

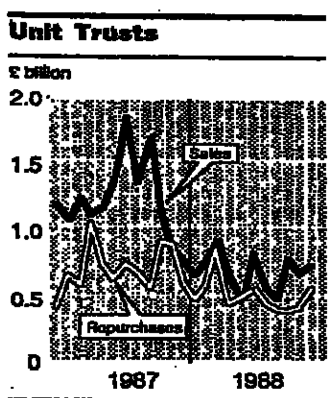
Figures issued yesterday by the Unit Trust Association showed that investors bought £718.6m of units in November – comfortably above the average monthly sales during the year.

This brought total unit trust sales in the 11 months to £7.26bn. Although only slightly more than half the sales for the corresponding period last year of £13.8bn, it is not far short of sales of £7.83bn in 1986, a year regarded at the time as a good one for the unit trust industry.

However, investors cashed in £553.3m of units in November, the highest monthly figure since March.

This left net new investment into unit trusts last month of only £165.3m – about the average monthly investment in 1988 – bringing total new investment so far this year to £1.76bn.

Unit Trusts



As the unit trust industry matures, an increasing level of cash-ins must be expected. The underlying purpose of investing in unit trusts is ultimately for the investor to cash-in the units.

However, the vast majority of cash-ins are coming from investors either disillusioned with the equity market generally and still suffering from the aftermath of the October 1987 stock market collapse, or from investors switching their holdings.

There is still a steady stream of trusts being launched but these are not attracting the public to any great extent.

The nine trusts launched in November attracted just £47m, with the new management group Scottish Amicable Unit Trust Managers receiving £26m against a target of £40m and the two index tracking funds from Morgan Grenfell receiving £11.7m.

The total value of funds under management declined slightly on the month to £41.46bn from £42.27bn. This reflected the general downward trend in markets during the month.

The total number of unitholders also fell slightly during November by nearly 50,000 to 4.89m – a further indication of the general lack of investor confidence.

Fresh inquest into IRA deaths

A FRESH inquest was ordered yesterday into the deaths of three unarmed IRA men shot dead by police in Northern Ireland six years ago.

The original inquest, which opened in Craigavon, Co Armagh, last month, has been abandoned as invalid and the jury will be discharged.

In ruling that there should be a fresh hearing, the Northern Ireland Court of Appeal also said that the three Royal Ulster Constabulary officers who allegedly fired the shots could now be compelled to give evidence.

However, Sir Brian Hutton, the Lord Chief Justice, made it clear that the policemen, who have already been cleared of murdering one of the dead men, could claim privilege against self-incrimination.

The Court of Appeal judgment overrules an earlier decision of Mr Justice Carswell at the Northern Ireland High Court when lawyers for Mrs Eleanor McKerr, the widow of one of the IRA men, sought a judicial review after the RUC men refused to go into the witness box.

The RUC officers, a sergeant and two constables identified only as witnesses A, B and C – found not guilty of murdering Mrs McKerr's husband – had submitted unsworn statements as evidence to the inquest. The coroner, Mr James Elliott, had ruled he had no power to compel them to attend.

Mr Gervase McKerr, Mr Eugene Toman and Mr Sean Burns died when police opened fire on their car which allegedly failed to stop at a police checkpoint outside Lurgan, Co Armagh, in November 1982.

Lord Justice Hutton said: "As it is clear that the coroner thinks that A, B and C are necessary witnesses, it follows that at the fresh inquest they will be compellable witnesses. The fact that they are suspected of causing the deaths of the three deceased is not a reason in law why they should not be compelled to go into the witness box to be sworn.

"But upon being sworn it will be open to each of them, if he wishes, to claim privilege against self-incrimination."

Demand for air travel 'could treble by 2005'

By Michael Donne, Aerospace Correspondent

CONTINUED strong growth in demand for UK air travel through to the year 2005 is predicted by the Department of Transport.

Latest forecasts show that the number of passengers handled by all UK airports (except the Channel Islands) is expected at least to double from the base of 87m passengers in 1987 to 164m a year by the year 2005, and may even nearly treble to 234.5m.

These compare with the forecasts made in 1986 which showed air travel by the end of the century for between 113.8m and 169.4m passengers a year.

The Transport Department believes that in the London and south-east area alone, traffic of 57.4m air passengers in 1987 could rise by the year 2005 to between 101.4m and 147.1m a year.

These figures include an allowance for the Channel Tunnel, which becomes operational in 1993, siphoning off 5m passengers a year from short-haul European air travel by 1995, rising to about 8m passengers a year by 2005.

Commenting on the forecasts, Mr Paul Channon, Secretary for Transport, said that before taking any decisions on either new passenger terminals or runways in the London area, he would await the results of studies being carried out by the Civil Aviation Authority, and due to be submitted next July.

However, Mr Channon stressed the Department's view that there was still substantial spare runway capacity available at Stansted, in Essex, to meet demand up to the end of the century.

Mr Channon reaffirmed that regional airports could do much to ease the pressure on London airports.

Medical television channel unveiled

By Raymond Snoddy

THE ROYAL SOCIETY of Medicine yesterday inaugurated what will become its own television channel of news, clinical advice and post-graduate education to its 11,000 members in the UK.

The service will be produced in association with British Medical Television, the company already using BBC transmitters during the night to transmit an hourly programme for doctors. The scrambled signal is transmitted to special video recorders in doctors' homes or surgeries which decode the signal.

Now all members and fellows of the Royal Society will receive direct television receivers (DTRs) without extra charge as part of a drive to improve the post-graduate education of doctors. Advertising and sponsorship will help to finance the programmes.

From April the society will put together a monthly programme carrying news from medical conferences and many of its 34 specialist sections.

The British Medical Television system will be increasingly used for distance learning by doctors across Europe. This will include a post-graduate university diploma course in dermatology, created by the University of Wales and sponsored by Glaxo Laboratories.

A masters degree in occupational health prepared by the University of Surrey in which the medical television service will be a key component, is also under consideration.

Dr Ronald Mann, medical services secretary of the Royal Society, said yesterday that discussions with the BBC had begun over interactive teaching of medicine by linking the DTR with a personal computer.

Data carried by the broadcast signal could be fed into the computer, effectively providing a teaching machine offering questions for doctors to answer to show that they had understood the television programme.

"This two-way distance learning has great potential for medical education in depth," said Dr Mann, who added that few doctors had time in mid-career to attend formal post-graduate lectures.

British Medical Television, founded by Mr Laurence Greetham, recently completed a financial restructuring with investment by Baring Brothers, Hambrecht & Quist and by Churchill Livingstone, the medical publishing arm of Pearson, the group which owns the Financial Times.

IBA sets out radio plans

By Raymond Snoddy

THE Independent Broadcasting Authority yesterday set out detailed proposals for the 20 "incremental" local radio services that the Home Office has authorised to go on the air as soon as possible.

The new stations covered by existing legislation will offer alternative services – either local community or ethnic – in areas where there is already an independent local radio station.

The IBA said yesterday it intended to award a 21st contract for a new type of radio providing an information service directed to users of Heathrow and Gatwick airports.

EMPLOYMENT

Polytechnic lecturers face revised contracts

By David Thomas, Education Correspondent

POLYTECHNIC directors yesterday agreed to push for a radical overhaul of lecturers' contracts of employment in the first sign of employers' plans for a sector which is due to break free of local authority control.

The employers want to introduce new contracts of employment restricting lecturers' holidays to 30 days a year, allowing greater use of part-time staff and giving college authorities more control of individual lecturers' pay.

However, Natfhe, the college lecturers' union, said last night it would refuse to accept the proposals, which Dr Bob Smith, director of Kingston Polytechnic and chairman of the employers' forum, said would be negotiated.

From April next year, polytechnics and some larger further education colleges will become independent of local authorities and funded directly by the Polytechnics and Colleges Funding Council, a new body.

Each college will become the employer of its staff and the employers collectively have been considering their pay strategy for a sector with 55,000 staff, including about 18,000 lecturers.

They agreed yesterday a strategy paper which says the pay structures to be inherited from local authorities "need remodelling for polytechnics and colleges as a matter of urgency."

The employers want new contracts for lecturers which would commit them to a full year of work. They would be entitled to 30 days holiday, plus 10 public holidays, and would be expected to work 37 hours a week.

All lecturers would be expected to carry out professional duties, such as administration, student counselling and staff development, in addition to teaching.

Dr Smith said the new contracts would be introduced over the next two to three years, with an early start for new appointments and those being promoted.

The employers are also planning for more part-time lecturers, many of whom would be hired on a term-time only basis, allowing them to pursue other work such as consultancy in the holidays.

They also propose a division between items which would form a core agreement to be negotiated nationally and those determined at college level.

The employers hope to discuss the proposals with Natfhe in the New Year, but Mr David Triesman, the union's negotiating officer, said: "I don't think these proposals have got a hope in hell."

British Telecom 'job share' plan aims to retain women

By Charles Leadbeater, Labour Editor

BRITISH Telecom is set to introduce what could become the largest job sharing scheme in the country in an effort to retain women workers.

The company is close to signing an agreement with the National Communications Union, the main BT union, which would allow two full-time workers to share a single job.

The move reflects the innovative changes to employee relations which many companies are introducing in an attempt to retain older workers in view of of the decline in the number of young people.

Most job sharing agreements are confined to the public sector, particularly local authorities. Very few private sector employers have introduced such agreements as they tend to provide workers with conditions close to those of full-time workers. As a result job sharing is a more restrictive form of worker flexibility for employers than using part-time or temporary contract workers.

The agreement, which will cover more than 200,000 BT staff, is aimed at women workers in the company's clerical and computer services departments. But NCU officials believe it could be increasingly taken up by engineers reaching retirement age.

The deal would allow two full-time workers to arrange to share a job, as long as both work at least 16 hours a week. Unlike many part-time and temporary workers, the job sharers' weekly hours would be protected and could not be easily varied.

Workers' promotion and staff development prospects would not be prejudiced by becoming job sharers, the agreement says. Their employment status and pay would match that of full-timers.

In addition, unlike many part-time workers the job sharers would be entitled to the maternity leave given to full-time workers, sick pay, and pensions benefits.

Once the agreement is signed at national level, it will be open to individual workers to come forward with proposals to introduce job sharing.

Mr Billy McClory, secretary of the NCU's clerical group and the union official in charge of the negotiations, said the agreement was most likely to be attractive to women workers who had been trained for skilled clerical and customer service jobs.

Some sections of the union's main engineering group had shown increasing interest in the agreement as a way of providing a flexible route into retirement, he added.

BT employs about 8,000 part-time workers, mainly in cleaning and catering jobs.

Meat company raises wage rates for youths

By John Gapper, Labour Correspondent

BERNARD Matthews, the turkey processing company, has raised its youth wage rates by up to 21 per cent in response to a increasing shortage of young workers in East Anglia. The move follows similar efforts by other companies in the region.

The company, which has processing plants at Great Witchingham in Norfolk, and Halesworth in Suffolk, has put its workers aged 16 and 17 on higher wage bands as part of a 14-month deal with its 1,700 processing workers.

Under the deal, which will run from January, 16- and 17-year-olds will be moved up a band to the rate that previously applied to those a year older. For a 16-year-old this will mean an increase from £83.22 a week to £100.54.

The Transport and General Workers' Union said yesterday that it intended to use the deal, which it estimates is worth 11.7 per cent overall, in negotiations with other poultry companies.

Employers seek national bodies in training reform

By Our Labour Editor

THE National Engineering Construction Employers' Association yesterday joined other sectoral employers organisations in pressing the Government to retain an important role for national organisations in its plans to reform the training system.

The NECEA has asked the Government to set up a single national Training and Enterprise Council for its sector. It said training priorities could not be solely set regionally through the local Training and Enterprise Councils the Government want to set up.

Employers in the construction, printing and chemical industries have also stressed the importance of retaining influential national bodies.

The association also said that while it welcomed some of the Government's initiatives it believed it was vital such a training council should retain its power to raise finance from industry through a statutory levy on companies.

The Government's recent white paper on training and employment said the statutory powers of the seven remaining industrial training boards would be phased out.

The NECEA deplored the argument in the white paper that the growth in self-employment was encouraging, and that there should be further moves away from industry-level pay bargaining.

The plan to devolve responsibility for training to employer-led, local Training and Enterprise Councils, presents employers with an historic opportunity to chart the development of training into the next century, Mr Norman Fowler, the Employment Secretary told employers in Birmingham yesterday.

He told the Birmingham Chamber of Commerce, which is likely to be the first body to propose a Training and Enterprise Council, that the councils would have four distinct budgets covering youth training, programmes for the adult unemployed, the development of small and medium sized businesses and to promote training and enterprise in their communities.

Lucas ends centralised pay deal for most plants

By Richard Tomkins, Midlands Correspondent

LUCAS Industries, the automotive, aerospace and industrial group, yesterday said that manual workers at 13 of its 14 Birmingham automotive plants had accepted an end to centralised pay bargaining and have negotiated separate settlements with the company.

In return the employees had been awarded pay rises greater than those offered earlier because the new system had made it possible to introduce self-financing productivity deals on a plant-by-plant basis, the company said.

Lucas decided to scrap centralised pay bargaining for its 2,500 Birmingham automotive workers at the end of October when the employees refused to accept a £8.50 a week pay offer worth just under 6 per cent on the total pay bill.

The company had intended to decentralise pay bargaining after this year's settlement but brought its plans forward following the breakdown of negotiations.

Lucas said yesterday that the average value of the pay rises given to the automotive workers who had settled was now about £10 a week because productivity bonuses written into the deals had made it possible to increase the original offer.

The only plant yet to settle is the joint venture battery manufacturing operation run in association with Yuasa of Japan, but Lucas said it hoped to conclude negotiations there soon after the Christmas holidays.

The end of centralised pay bargaining among the 2,500 Birmingham manual workers will leave only Lucas's 200-300 skilled automotive workers still using the system. They are due to drop it as soon as their 1988 pay negotiations are concluded.

● The backlog of British Telecom staff waiting to go on training courses they have been assigned could be as high as 40,000, according to an article in the latest issue of the National Communication Union's journal.

Vital role seen for women union officials

By Our Labour Staff

WOMEN full-time trade union officials are more likely to give priority to issues such as equal pay, child care, maternity leave and sexual harassment in collective bargaining, according to a study of the work of union officials published today.

The study, one of the first to look specifically at the role of women trade union officials, carries important implications for the increasing number of unions which are seeking to recruit among women workers.

The report, based on a survey of 87 women full-time trade union officials, says "women representatives tend to have a broader conception of the concerns of women workers than their male counterparts. They are also more likely to be committed to expanding women's involvement and representation within unions and recruiting women workers.

The study – by Mr Edmund Heery of the City University and Mr John Kelly, of the London School of Economics – found that a minority of young, male officials who joined their unions after a period in higher education were also prepared to take up a broader range of issues.

The researchers conclude that although the role of a full-time union official is circumscribed by a range of factors, there is nevertheless considerable room for innovative approaches to bargaining.

The representation of full-time women workers mirrors their position within industry. There are relatively few women in senior trade union positions, but many more women officers in local or field positions.

Do Female Representatives Make a Difference ?; published in Work Employment and Society; details from Dr Mike Milotte, BSA, 10 Portugal Street, London WC2A 2HU.

UK NEWS

Report casts doubt on 'soft landing'

Trade deficit 'to widen, inflation to remain high'

By Peter Norman, Economics Correspondent

BRITAIN'S current account balance of payments deficit will continue to worsen over the next two years while inflation will stay high compared with most international competitors, the Organisation for Economic Co-operation and Development said.

The OECD's latest half-yearly Economic Outlook report casts doubt on whether the British Government will be able to achieve the hoped-for "soft landing" of the economy from its present overheated state and advocated fiscal restraint in the next budget.

The OECD said it expects Britain's current account deficit will rise from an estimated $23bn this year to $29bn in 1990. This means that in sterling terms, the OECD is expecting the current account deficit to increase to £14.64bn next year and pounds £16.33bn in 1990 from around £13bn this year.

The Treasury forcast in its Autumn statement last month that the British current account deficit would fall to £11bn next year from pounds £13bn in 1988.

Mr Nigel Lawson, the Chancellor of the Exchequer, has since said he expects a further fall in the trade deficit in 1990.

Mr David Henderson, the head of the OECD's Economics and Statistics Department, said in Paris yesterday that the difference between the two forecasts reflected a more optimistic assessment by the Treasury of Britain's likely export performance next year and the British Government's belief that imports would fall sharply in 1989.

Inflation, as measured by the gross domestic product price deflator, is a "disturbingly high" 6 per cent in Britain compared with an OECD average of 4 per cent, Mr Henderson added.

The OECD expects that British exports will increase in volume terms by 4 per cent next year and 3.25 per cent in 1990 compared with a 1.75 per cent this year, while volume imports are forecast to increase by 6.75 per cent next year and 5.25 per cent in 1990 compared with 11.25 per cent this year.

In the Autumn Statement forecast, which covers only 1989, the Treasury projected a quickening in the growth of British volume exports to 7 per cent next year from 2 per cent in 1988 and a slowdown in the growth of import volumes to 5 per cent next year from 12.5 per cent in 1988.

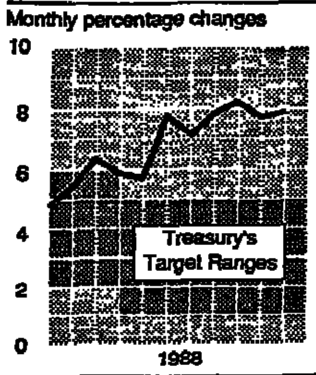
Mr Henderson acknowledged that forecasting a balance of payments gap is a hazardous business because it involved the difference between two huge numbers.

However, he said that the OECD's record in forecasting the British balance of payments had been better than that of the British Government in recent years.

The OECD says cost pressures are expected to intensify because of the combined effect of high wage increases and decelerating productivity growth. "The impact of higher unit costs on inflation is likely to squeeze profit margins as demand pressures weaken."

Money Supply MO

Monthly percentage changes



Lending up by £5.6bn in November

FURTHER tentative indications that high interest rates may be retarding credit growth were given yesterday by Bank of England figures which showed bank and building society lending grew by £5.6bn in November, writes Simon Holberton.

The figures indicated that the rapid growth in the broad monetary aggregates, M3 and M4, may be moderating. However, the Treasury's key indicator, M0 which measures mostly notes and coins in circulation, continued to grow well outside its target range of 1-5 per cent growth and was 7.9 per cent higher than a year earlier.

The Bank said it took some comfort from the figures although it was too early to discern a trend. The Treasury said the figures suggested credit growth had moderated from the highs it reached during summer.

The rise in bank and building society lending, which compared with an average of the past six months of £7bn, was less than the consensus expectation of analysts which suggested a rise of £6bn.

Regulatory body says more aircraft, slacker schedules needed to avoid airport chaos

Airlines urged to move on delays

By Michael Donne, Aerospace Correspondent

THE CIVIL Aviation Authority, regulatory agency of UK civil aviation, has urged airlines to introduce more slack into flight schedules and to have more spare aircraft available to help to avoid a repetition of last summer's severe delays at UK airports.

The CAA has sent a memorandum to Mr Paul Channon, Secretary for Transport, outlining measures to make better use of UK airspace up to 1995.

It says that it will try to give the airlines more and better information earlier about air traffic control delays. But it stresses that airlines can do much to help themselves and their passengers.

Last summer, many charter airlines had too few aircraft available and used them too intensively – often making three out-and-return flights a day to some Mediterranean destinations.

Some aircraft therefore were caught overseas by the heavy delays and were thus unavailable for their allocated take-off slots.

The CAA says earlier information about delays will give the airlines the chance to revise schedules so that they can "make a positive contribution to tackling the delay problem" through better use of off-peak airspace capacity.

The CAA says that it cannot forecast traffic patterns next summer because there may be industrial problems in some Mediterranean air traffic control centres, which were a big cause of last summer's delays.

It hopes that the growing use of bigger aircraft, especially at Gatwick, London's second biggest airport which carries most charter flights, may reduce the pressures on air traffic control.

Several improvements to the system are being introduced including a new airway between Daventry in the midlands, down the coast from Clacton to Dover on the south east coast, enabling aircraft from East Midlands and Birmingham to by-pass much of the congested London area.

Another benefit is expected from the release of military airspace in the English Channel which, subject to French approval, will permit a widening of the key route between the UK and France carrying much Mediterranean holiday traffic.

For the longer term, however, the CAA is putting emphasis on several further developments. Among these is its £600m investment programme to the mid-to-late 1990s to upgrade and increase the equipment used in the air traffic control system, including the provision of a new London air traffic control centre and an increase in the number of specialist staff.

Another is the introduction of its Central Control Function, a method of improving the flow of air traffic over southern England. A third is Central Flow Management, whereby more European air traffic is centrally controlled.

The CAA says that options such as relaxing night flying restrictions at airports, insisting on more use of larger aircraft, pricing penalties for using peak periods and selective restrictions on types of aircraft using congested airspace, may prove necessary.

Strategies For Making Good Use of Airspace, 1989-1995, CAP 546, Civil Aviation Authority, London, £4.

Scottish coal row returns to court

By James Buxton, Scottish Correspondent

BRITISH COAL has returned to the courts in its dispute against the South of Scotland Electricity Board.

It has started proceedings in the Court of Session in Edinburgh to test the validity of long-term contracts to supply the SSEB with coal for two coal-burning power stations.

The row broke out early this year when Mr Donald Miller, SSEB chairman, insisted that British Coal made big cuts in prices to bring them closer to those prevailing on the coal market.

In March, British Coal obtained a Court of Session interdict or injunction against the SSEB, preventing it from burning coal from outside sources at Longannet and Cockenzie on the Firth of Forth. But the SSEB bought 1m tonnes of foreign coal.

Formal talks between the two sides failed to reach agreement. British Coal wants the Court of Session to adjudicate on whether the SSEB is bound by contracts to buy coal from British Coal for the Cockenzie power station until 1992 and for Longannet until 1995. British Coal said it regretted that it had had to take this course of action.

Ryan trial decision expected this week

By Charles Hodgson

THE British Government hopes to decide this week whether to seek prosecution in Ireland of Mr Patrick Ryan, the former Irish priest wanted for alleged terrorist offences, after the refusal by Dublin authorities to extradite him to Britain.

Police are consulting as many as 60 potential witnesses in the Ryan case to establish whether they would be willing to go to Dublin to testify.

A senior UK Government official said yesterday that there were "formidable difficulties" in bringing a case against Mr Ryan in Ireland.

Mrs Margaret Thatcher, the British Prime Minister, and Sir Patrick Mayhew, UK Attorney-General, have both cited an alleged risk to the safety of witnesses in Ireland as one reason for not seeking prosecution of Mr Ryan under the Irish Criminal Law Jurisdiction Act, which allows for cases to be brought in the Irish courts for offences committed in other countries.

A second reason, repeated by senior British Government officials yesterday, is that if prosecution in Ireland was unsuccessful, Britain would be unable to try Mr Ryan for the same offences in its domestic courts.

Mr John Murray, the Irish Attorney-General, explaining his refusal to grant extradition, claimed that prejudicial media coverage and comments in the House of Commons had jeopardised Mr Ryan's chances of a fair trial.

But he added that on at least two of the four charges levelled against the former priest, the evidence presented satisfied him of a British intent to prosecute Mr Ryan. This was taken as a thinly-veiled hint to Britain to pursue a case in the Irish courts.

While British officials were stressing the problems involved in bringing a case under the Act, there was speculation in Irish Government circles last night that Britain would decide to go ahead.

Ryan: in hiding

Irish officials firmly dismissed the security risk to witnesses, pointing out that British witnesses had given evidence in Irish courts in past terrorist cases.

The officials also stressed that 10 successful convictions had been obtained in 13 cases brought under the act, resulting in long prison terms.

Should Britain decide to bring a case in the Irish courts, Sir Patrick would have to resubmit evidence on the two of the four charges against Mr Ryan which would be permissible under the act. These are: conspiracy to cause explosions and possession of explosives with intent to endanger life.

The Irish Director of Public Prosecutions would then have to decide whether there was enough evidence to bring a case under Irish law and provided he was satisfied only then would an arrest warrant for Mr Ryan be issued.

Mr Ryan, who is in hiding in the Republic, has warned that he would go on hunger strike if a case was brought against him in Ireland. The Dublin Government has insisted that it would not be intimidated by such as move.

Salmonella found rarely in chicken feed plants

By Bridget Bloom, Agriculture Correspondent

GOVERNMENT inspectors have found *salmonella enteritidis*, the infection central to health fears surrounding eggs, only once in six years of testing the 94 plants in Britain which produce animal protein for use in chicken and other livestock feed.

Ministry of Agriculture officials responsible for enforcing health regulations on such plants, which process the bones, offal and other waste from slaughtered animals, say that salmonella enteritidis has also been found only once in the same period in imported animal protein.

The officials acknowledge that their figures do not exonerate animal protein as a source of the salmonella found in eggs, but argue that it is by no means the major cause of the disease. This has often suggested in the 18 days since Mrs Edwina Currie, then junior Health Minister, declared that "most" of Britain's egg production was affected by salmonella.

Her remark sparked a plunge in egg sales and outrage among producers. Mrs Currie tendered her resignation on Friday and the Government on Monday announced a £19m package to destroy 4m hens and 400m eggs.

Government inspections of animal protein plants take place under the protein processing statutory orders introduced in 1981. Officials say each plant has been inspected twice a year, for a week at a time.

These inspections have been criticised as insufficient. Sir Richard Body, Conservative MP for Holland with Boston and former chairman of the Commons Agriculture Committee, claimed at the weekend they had been watered down from what was originally proposed in 1981 in response to pressure from industry.

Senior veterinary officials yesterday defended the inspections as adequate but acknowledged that the Government was considering whether to make it mandatory for processing plants themselves to monitor for salmonella more often.

Suggestions on a BBC Radio phone-in programme that many of the larger integrated egg producers which mill their own feed were not subject to the same health regulations as other companies provoked angry reaction yesterday.

Mr Peter Challands, marketing director of Deans Farms, a subsidary of Dalgety, the food group, said it was a "total fabrication" that his or other big integrated companies used offal or other poultry waste in their layer feed.

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JOBS

Biggest and smallest executive spenders

By Michael Dixon

CAN anyone help the Jobs column to end 1988 without nagging doubts (it won't appear again until January) by advising on a puzzle? If you can, you will also bring good cheer to Barry Rodin of the Employment Conditions Abroad consultancy which keeps some 500 international organisations informed about pay, perks and living costs in different parts of the world.

For the past three years, the consultancy has enabled this corner of the FT to respond to a question often asked by readers who have been offered a post overseas. It is: If I take the job, how much more or less will it cost me to keep up the standard of living I have at home?

The answer depends so much on circumstances, of course, that general guides are at best rough. A big snag is that, since expatriate staff working abroad often live in accommodation subsidised to varying degrees by their employer, widely applicable yardsticks of expenditures on housing are impracticable to produce.

While it is easier to divine country-to-country variances in prices of other products and services — which, for brevity, I'll call "consumer goods" — complications also arise there. Research shows that even though families may have lived somewhere abroad for a long time, they tend to buy less economically there than they do in their native land.

Even so, Mr Rodin and his staff at ECA have been able to supply annual estimates of what it would cost similarly ranked executives of a range of nationalities to maintain their typical home pattern of spending on such items when working in one another's countries. The executives used as a standard are those heading a function such as marketing in a medium-sized concern.

In previous years, the range of nationalities has been limited to British, Americans, Swiss, Dutch, West German, French and Australian. Besides showing their consumer spending in each other's countries, ECA has used information from its subscriber-organisations with expatriate staff in Japan to show what the same seven nationalities would spend there as well.

But this year has brought a change. The consultancy now has enough data on international companies based in Japan to estimate the typical expenditure of similar Japanese managers operating in the United Kingdom, United States, Switzerland and the rest. The

Nationality of mid-rank manager*	Gross salary in homeland £	Cost of keeping up "home" pattern of spending on consumer goods in: United Kingdom £	United States £	Switzerland £	Netherlands £	West Germany £	France £	Australia £	Japan £
British	26,000	8,500	9,800	14,700	10,000	11,400	11,600	10,100	22,600
American	42,000	12,600	10,400	17,900	13,200	13,900	14,700	12,200	26,800
Swiss	56,000	10,700	10,300	14,500	10,680	12,000	12,200	10,700	23,900
Dutch	36,000	7,900	7,900	11,900	7,500	9,200	9,200	8,300	18,700
W. German	45,000	9,600	9,500	14,100	9,900	10,400	11,200	9,900	21,900
French	35,000	10,400	10,250	15,200	10,600	11,400	10,900	10,500	23,500
Australian	28,000	8,700	8,200	12,800	9,000	9,800	10,000	8,000	19,800
Japanese	62,000	5,000	5,000	7,500	5,200	5,800	6,000	5,100	9,500

* Responsible for function such as marketing in medium-sized company.

Japanese expatriates' outlays have been worked out by the method used since 1973 to estimate the spending of the other nationalities, with results which overseas staff themselves have evidently judged acceptably accurate.

The only trouble is that, having calculated and checked the figures for the Japanese, Barry Rodin finds them hard to believe. They boggle the Jobs column's mind too. For, as the table above shows, the Japanese apparently spend startlingly little on consumer goods.

Even at home, where costs are exceedingly high, such spending takes a mere 15.3 per cent of their sterling-equivalent gross salary of £62,000 (converted at the rates of mid-September when £1 bought US$1.7). By the same yardstick, the biggest consumer-goods spenders were the British with 32.7 per cent of their £26,000 gross. The others ranked as follows:

French	31.1%
Australians	28.6%
Swiss	25.9%
Americans	24.8%
West Germans	23.1%
Dutch	20.8%

But even the Dutch home-country percentage is over a quarter as much again as that of the Japanese.

"Some of the difference may arise because they have to pay more for housing," Mr Rodin speculates. "And the biggest part could be savings, I've heard they save more than we do in the West."

A further possibility, however, is that the figures for the Japanese are wrong — that ECA's yardstick does not apply to them even though it works for other nationalities. So if any reader can confirm whether or not the Japanese are really as frugal as the table suggests, I would be grateful to know.

Finance

RECRUITER Brian Burgess of the OLR consultancy (160 New Bond St, London W1Y 0HR, tel 01-499 7761, fax 01-491 7459) is offering two jobs with London companies he may not name. So he promises to respect any applicant's request not to be identified to the employer at this stage. The same goes for the other headhunter to be mentioned later.

The first is for a general manager to set up the UK arm of a US group supplying information systems to the finance sector. Candidates should know the City and the sorts of systems involved, as well as having success in managing new ventures, and strong selling skills. Salary £40,000-£50,000, benefits include car.

The second opening is for a qualified accountant with experience in providing training for said profession to work as training manager for a national accountancy firm with 400 staff. Pay-and-perks package about £30,000.

ANOTHER training chief's post in the City is one of two offers made by Brian Gooch of the Old Broad Street Bureau (65 London Wall, London EC2M 5TU; tel 01-588 3991, fax 01-588 9012). The employer is an investment house with training centres in London and Hampshire, and wanting an experienced training manager to develop their work. Salary £40,000-£50,000; car and low-cost mortgage among benefits.

Mr Gooch also seeks a marketing-minded banker with the management skills to lead a merchant bank's leasing/asset finance team. Salary £60,000-£80,000 plus car and other City perks.

That said, I will wish you all blessings for the season, and hope we'll meet here again in 1989.

FT LAW REPORTS

Race for jurisdiction is won by Dutch court

THE FRECCIA DEL NORD
Queen's Bench Division (Admiralty court): Mr Justice Sheen: December 12 1988

THE ADMIRALTY Court is seised of jurisdiction to hear an action *in rem*, not when the writ is issued but when it is served or the ship is arrested, whichever is the earlier; and it will therefore decline jurisdiction if, before the writ was served, proceedings involving the same parties and same cause of action were definitively pending in the court of another country which is party to the Jurisdiction Convention.

Mr Justice Sheen so held when making a declaration on the motion of the defendant owners of Freccia del Nord, that the Admiralty Court was not seised of jurisdiction to hear an action *in rem* until the writ was served by the plaintiff owners of Nord Sea on July 9 1987.

HIS LORDSHIP said that on June 19 1987 a collision occurred in the Bay of Biscay between Nord Sea and Freccia del Nord. On June 25 the owners of Nord Sea issued a writ *in rem* against four ships, Freccia del Nord and three other ships in the same ownership. They were unable to serve the writ on that day because no ship was within the jurisdiction.

On July 8 the plaintiffs told the defendants that a sister ship of Freccia del Nord currently within the jurisdiction would be arrested if security was not forthcoming. The defendants' solicitors confirmed they had irrevocable instructions to accept service of proceedings *in rem*.

The writ was served on the defendants' solicitors on July 9 1987. On July 23 they filed an acknowledgement of service on behalf of the defendants.

Meanwhile, on June 25 Nord Sea was arrested in Rotterdam by the owners of Freccia del Nord, 20 minutes after the writ had been issued in London. On July 3 the writ in the Dutch action was served.

Counsel for the defendants moved for a declaration that for the purpose of articles 21 and 22 of the Convention on Jurisdiction set out in Schedule 1 to the Civil Jurisdiction and Judgments Act 1982, the court was seised of the action *in rem* on July 9 1987.

The question was, at what moment was the English Admiralty Court seised of jurisdiction in an action *in rem* for the purpose of articles 21 and 22?

Article 21 provided that where proceedings involving the same cause of action and between the same parties were brought in the courts of different contracting states "any court other than the court first seised shall of its own motion decline jurisdiction in favour of that court".

Article 22 provided that where related actions were brought in the courts of different contracting states "A court other than the court first seised may . . . decline jurisdiction".

In the race to establish jurisdiction in one country rather than another it was important to know at what moment the contestants passed the winning post. The answer depended on the position of the winning post.

The plaintiffs contended they had won the race because in England the court was seised of jurisdiction the moment the writ was issued. The defendants contended the race was won in Holland, because the English court was not seised of jurisdiction until the writ was served on July 9.

Section 3 of the 1982 Act provided that any question as to the meaning of the Convention should be determined in accordance with principles laid down by the European Court.

In *Siegfried Zelger v Sebastiano Salinitri [1984] ECR 2397* the European Court pointed out that the rules for determining the date at which courts were seised in the various contracting states were not identical. In France, Italy, Luxembourg and the Netherlands the action was pending before the court when proceedings were served. In Belgium the court was seised when the action was registered on its general roll. In Germany the action was brought when proceedings were served.

The European Court said that article 21 of the Convention must be interpreted as meaning that "the court 'first seised' was the one before which the requirement for proceedings to become definitively pending were first fulfilled, such requirements to be determined in accordance with the national law of each of the courts concerned".

There was powerful support for the view that in England the court was seised of jurisdiction in an action *in personam* from the moment a writ was issued.

But the court was concerned with an action commenced by a writ *in rem*. It was an action brought against a ship, not against the owners. The moment the court was seised of jurisdiction in an action *in rem* might not be the same as it was in an action *in personam*.

In respect of any claim within the Admiralty jurisdiction an action *in rem* might be brought against only one ship. Nevertheless it was permissible in respect of any one claim to issue a writ naming more than one ship (see Supreme Court Act 1981, section 21(8)).

The writ in the present action named six ships, all of which were presumably in the same ownership on June 25. After service the writ should be amended by deleting all but one of the names on it. If on June 25 one had asked whether the court was seised of the action, another question would have arisen – "against which ship is the action brought?"

The court could not be seised of an action *in rem* until the plaintiff had not only made up his mind as to which ship he would arrest, but also had either served the writ on the ship or arrested that ship.

When it was necessary to arrest a ship in the vast majority of cases it was arrested before the writ was served.

The reason was that when a warrant for the arrest of a ship was issued the Admiralty Marshall spoke to an HM Customs officer by phone and instructed him to arrest the ship. After that had been done the documents including the writ were usually sent by post to the Customs officer for service.

Although rarely done, an action might be brought against a ship by service of the writ and without arrest. If after service of the writ a ship left the jurisdiction, the court could nevertheless give judgment against the ship.

The court was seised of an action *in rem* from the moment, whichever was the earlier, of service of the writ or of the arrest of a ship.

Support for that was to be found in the Court of Appeal decision in *the Banco [1971] 137,153,158*. There Lord Denning said "When a plaintiff brings an action *in rem* the jurisdiction is invoked, not when the writ is issued, but when it is served . . . " Lord Justice Megaw said the invocation of jurisdiction "is not complete until the writ is served".

Another situation in which an action *in rem* might be commenced was when the ship was already under arrest and in the custody of the Admiralty Marshall. In those circumstances a second arrest was unnecessary. What was required was the issued of a writ *in rem* against that ship and the entry of a caveat against release. The court would be seised of jurisdiction from the moment the writ was issued because the ship was already in the court's custody.

The court could not have jurisdiction over a ship which did not come within its jurisdiction. Many a writ *in rem* had been issued in the hope or expectation that the ship would come within the jurisdiction. Frequently that hope or expectation had been frustrated or thwarted by a change of orders to the master of the ship.

If it were held that the court was seised of jurisdiction as soon as a writ *in rem* was issued, the courts of other contracting states might be required to decline jurisdiction by virtue of article 21 even though the English court would not exercise its jurisdiction because the ship had not been arrested or served with the writ. Indeed the ship might never come within the jurisdiction.

The court was seised of the action on July 9 1987.

For the plaintiff owners of Nord Sea: Simon Gault (Ingledew Brown Bennison & Garrett)

For the defendant owners of Freccia del Nord: Elizabeth Blackburn (Sinclair Roche & Temperley)

Rachel Davies
Barrister

INTERNATIONAL APPOINTMENTS

GENERAL APPOINTMENTS

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE
No. 006825 of 1988
CHANCERY DIVISION
MR. JUSTICE HOFFMANN
IN THE MATTER OF
WILLIAMS HOLDINGS PLC
- and -
IN THE MATTER OF
THE COMPANIES ACT 1985

NOTICE is hereby given that the Order of the High Court of Justice Chancery Division dated the 12th day of December 1988 confirming the reduction of the share premium account of the above-named Company by £62,493,000 was registered by the Registrar of Companies on the 15th day of December 1988.

DATED the 15th day of December 1988.

Slaughter and May, (RLH)
35, Basinghall Street,
London, EC2
Solicitors for the said Company

No. 006734 of 1988
IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
MR. JUSTICE HOFFMANN

IN THE MATTER OF LLOYDS CHEMISTS PLC
- and -
IN THE MATTER OF THE COMPANIES
ACT 1985

NOTICE is hereby given that the Order of the High Court of Justice Chancery Division dated the 12th day of December 1988 confirming the reduction of the share premium account of the above-named Company by £10,758,702 was registered by the Registrar of Companies on the 15th day of December 1988.

DATED the 15th day of December 1988.

Slaughter and May, (RLH)
35, Basinghall Street,
London EC2

Solicitors for the
said Company

PERSONAL

CLUBS

MANAGEMENT

Why the Single Market is a misnomer — and the consequences

By Peter Martin

Companies nerving themselves to tackle the Single European Market scheduled for 1992 will often find that its title can be dangerously misleading. A study prepared by Hill Samuel, a London merchant bank, for the Confederation of British Industry's 1992 information campaign lists the following examples of markets fragmented by cultural differences:

"The French want their washing machines to load from the top; the British prefer loading from the front. Germans want high-powered machines that spin most of the dampness out of the clothes; Italians prefer low-powered machines and let the sun do the drying.

"The pattern of food distribution in Germany is radically different from that in the UK because of the continuing prevalence of home deliveries in markets such as frozen foods. As a result, freezer centres have never taken off.

"To meet different local tastes, Nescafé markets 20 different brands of coffee under the same label.

"In Germany, unlike the UK, low blood pressure is regarded as a condition requiring extensive medication. In France, doctors regularly prescribe drugs for a heart/digestive condition known as 'spasmophilia', the existence of which UK doctors do not even recognise."

The Hill Samuel study, provisionally entitled Mergers, Acquisitions and Alternative Corporate Strategies, forms the core of the bank's presentation to participants in the CBI Initiative 1992, which starts next month. (It will also be published later next year by W.H. Allen.)

The study goes on to argue that, though cultural barriers will persist long after other forms of invisible trade walls have been demolished, they are starting to narrow where people are most mobile and wealthy, and where business is increasingly international.

Thus, it says, expensive sweaters can be sold in every affluent market; and business services such as car hire, computer services and the servicing of flexible office furniture systems are increasingly international markets.

A company planning its 1992 strategy must therefore, says the study, ask itself two questions at the start: "In its markets, is it fighting the competition on a regional, national, European and/or global battleground? What is the main source of competitive advantage in that battle, whether distribution, branding, economies of scale, product range or something else?"

Hill Samuel argues that "companies will not grow successfully unless they develop a keen awareness of their strengths."

A principal motive for expansion abroad, it says, "is that companies have preferred to develop the businesses they know and where they feel they can add value, rather than diversify into areas with which they are less familiar in the home market."

For those companies considering cross-border acquisitions, the study quotes five lessons offered from experience by Peter Shires, commercial development manager of De La Rue, the British security and specialist printers:

- "It is essential to understand the markets in which potential acquisitions are operating. Data is scarce and family-owned companies operating in a stable environment rarely think in terms of growth potential.
- "A judgment must be made early about the quality of the local management. Keep them if possible, and be clear in explaining how they will fit into the new structure. If they are not required, act clearly and decisively.
- "Strong local contacts are crucial in establishing good relations with vendors.
- "Speed is essential in dealing with small companies; they fear a big organisation will never make up its mind.
- "Minority stakes are not generally a good idea, even with rights of first refusal on future share purchases. Arguments about future profits can be very difficult. Rather than take a minority it is often a more satisfactory arrangement to agree a royalty on sales."

Where the intended acquisition is of a small or medium-sized family-owned company, Hill Samuel argues that, from the very first contact with the target, the would-be acquirer's motto must be: "Gain trust, be open, ensure confidentiality." Gaining the confidence of owners and managers can be "absolutely fundamental to whether any potential vendor is prepared to enter into negotiations at all."

To win that trust, it is important to be open about intentions: "Vendors can hardly be expected to open up to people who are not prepared to be clear about their intentions and the nature and ambitions of their own business. Shrouded enquiries are easily mistaken for undercover investigations by the taxation authorities . . ."

If the family company's name is not to be retained, says the study, "and the fact is likely to come out at some point before the acquisition is completed, then it is as well to be frank about it and explain why."

Speaking the vendors' language, says the study, can be very helpful in establishing mutual trust. "But there is an important caveat. Those negotiating complex or particularly critical issues should keep to their native language unless they are fluent linguists," relying on local representatives and advisers as channels of communication.

Setting a price can be a problem, since the accounts of a small family-owned company may not provide the information necessary for conventional valuation techniques — and indeed, the owners may have made no very clear distinction between their own finances and those of the company.

Thus it may be necessary to base the price on balance sheet values, rather than profits or cash flow (making use of stock valuations, independent assessment of property and other assets, tax assessments, order book verification and so on) or to defer part of the payment, making it dependent on audit, warranty claims, or future profits.

One senior businessman quoted in the study says there are three key messages for businessmen contemplating cross border mergers. "Remember the need for endless talk. There will in the short term be added cost and complexity; duplication will take time to eliminate. A commitment to language learning is essential; even though the official language of the group is English, on important matters people have to communicate in their native language."

The man who offered that advice is unlikely to underestimate the complexity of creating an international business; he is Mike Smith, former joint managing director of Sema Group, a pan-European computing services company formed by a merger of CAP Group of the UK and Sema Metra of France. On Monday, Smith resigned after "policy differences and disagreement about the future management of the group."

During the course of 1989, the Management Page will carry articles on the practical implications of the single European market. Some will focus on the practicalities of entering individual European national markets; others will draw on the studies prepared for the CBI Initiative, and on the expertise of the FT's specialist industrial correspondents.

CBI INITIATIVE 1992

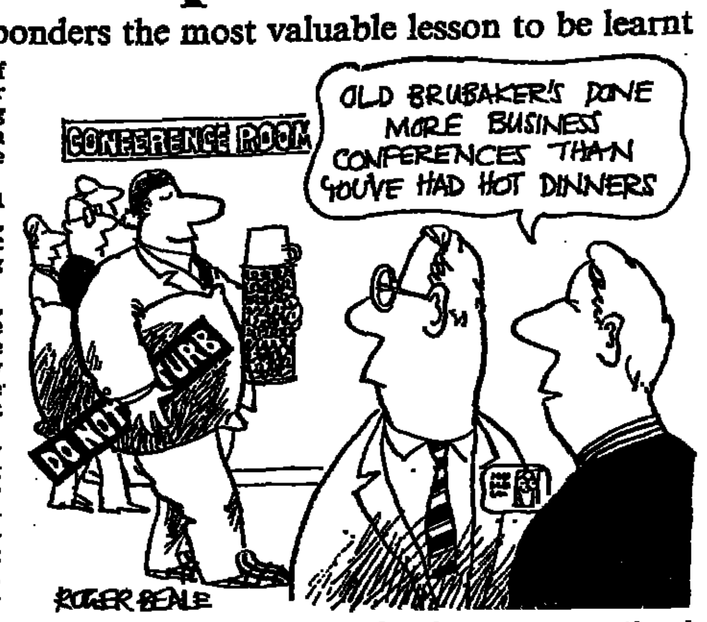
THE Confederation of British Industry launched its 1992 information programme in October. Companies were offered a package of 10 seminars during 1989, each to be held in cities around Britain, at a price of £1,000 for CBI members and £1,500 for non-members.

The seminar presentations (and accompanying reference books) are being prepared by firms, including Hill Samuel Bank, on cross-border mergers and acquisitions; Price Waterhouse, the accountants, on European tax issues; S.J. Berwin, the City solicitors, on European company law and competition policy; Rank Xerox on marketing to public sector and industrial customers; and TNT Express on European distribution.

Further information from: CBI Initiative 1992, Tel 01-836 1992.

Conferences — a triumph of hope over experience?

Michael Skapinker ponders the most valuable lesson to be learnt



Is there a finer example of the triumph of hope over experience than deciding to attend a conference on how to become a more effective manager?

Filled with anticipation, you arrive at the designated venue, take possession of your plastic folder and pin your name tag to your lapel.

Just eight hours from now, you will know everything there is to know about Proactive Networking, or How to Grow Your Filing Function, or some other elusive aspect of the art of management.

It is usually about half-way through the first speaker's talk that you suddenly remember the promise you made to yourself at the end of the last conference you attended, and at every one before that: that you would stop attending conferences.

Conferences never live up to expectations. And the reason is simple: during conferences it is impossible to stay awake.

Perhaps it is the result of the over-zealous heating of conference halls, or the dimming of the lights during the speeches. Perhaps sleep is induced by one of the substances used in the manufacture of plastic folders or name tags.

A more likely explanation is that, with a few glittering exceptions, conference speakers are dull. And most of us, not having spent our lives ascending the hierarchy of the Soviet Communist Party, are simply unused to listening to hours of speeches from grey suits containing even greyer men.

What is less easily explained is why the memory of how bored we were fades so quickly. Why, when the next conference programme lands on our desks, do we think that this will be the one at which we learn something valuable? Clearly, a little-studied psychological condition is at work, known as ACAS, or After-Conference Amnesia Syndrome. Somebody ought to do some research into it. Or perhaps hold a conference.

To be fair, most conference speeches have at least one valuable fact in them, something really worth knowing and repeating at work the next day, as well as at dinner parties at the weekend.

The problem is that the sentence containing that gem is invariably preceded by a dozen others so tedious that you are sound asleep by the time the significant fact emerges.

It is usually the second half of the crucial sentence which penetrates your brain, causing you to sit bolt upright just in time to hear the speaker say: ". . . which is why the Saudis, having abandoned oil production to devote themselves to the manufacture of fluffy toys, will emerge as *the* managers of the 1990s."

Cursing yourself for having missed the beginning of this vital piece of information, you promise to concentrate fiercely for the rest of the day, a resolution which remains in force for the next ten minutes.

Conference speakers realise they have a problem. To keep their audiences awake, they use visual aids. Visual aids, as their name implies, are meant to help the audience. In fact, they are a hazard and should carry a government health warning.

To begin with, the writing on them is too small. You have to strain your eyes to read them. Speakers always begin by asking: "Can you hear me at the back?" They never ask, when their visual aids go up on the screen, whether you can see them at the back.

Secondly, visual aids cause strained wrists. Conference-goers try to write down whatever appears on them. It is difficult, for the reasons mentioned above, to take notes of what the speakers say. Writing down what appears on their visual aids at least provides some evidence that you in fact attended a conference.

Everyone's favourite speaker is the one who, having watched delegates scribble furiously throughout his hour-long presentation, announces near the end: "For those of you taking notes, I *will* be giving you a hand-out of all my slides."

Conference speakers defend the use of visual aids by telling you that "a picture is worth a thousand words." The problem is that most visual aids consist of words rather than pictures.

A few conference speakers do flash up pictures on the screen and these tend to be the most memorable. I once attended a conference on health in the work-place. To illustrate a point, one of the speakers put up a slide of a woman riding an exercise bicycle — in the nude.

It was, of course, wildly inappropriate in these anti-sexist times, but, like everyone else who was there, I remember it. I have, however, completely forgotten the name of the speaker and what he said, along with the point his slide was meant to illustrate. (I am reasonably sure he was *not* recommending that employees exercise in the nude.)

Another thing that conference speakers try to do is avoid speaking after lunch. The one who ends up doing so usually says (an odd metaphor, this): "Well, they've given me the grave yard slot."

He should not be so upset. It is true that conference audiences use the hour after lunch for some really serious snoozing. But at least they bear the speaker no ill-will. That is reserved for the person who speaks before the coffee break.

The coffee break is to the conference audience what parole day is to the long-term prisoner. Hours, and then minutes, are ticked off as the magical moment approaches. The conference centre staff add to the excitement by rattling cups and tea spoons in the room next door.

Yet the speaker before coffee always carries on until the designated break is almost over. In addition to which, at least two delegates, apparently oblivious to the dangers of a revenge killing, insist on asking questions.

Those who ask questions after speeches can irritate in other ways, too. For example, they seem to be able to stay awake. "May I say that that was one of the most fascinating talks I have ever heard," they will chirp after a particularly soporific contribution.

You should, in theory, be able to tell what sort of people ask questions. Chairmen always ask questioners to give their names and the organisations for which they work. This must have been helpful in the days when all conference-goers worked for large, well-known companies like British Petroleum or IBM. But the current profusion of tiny companies renders the name-and-company routine almost useless.

"Hugo Whiplash, Spirotex Services," a questioner will solemnly intone, leaving us not a smidgen the wiser. Does he work for a software house? An escort agency? We never discover.

A final point about conferences. Why, on the train home, do your fellow passengers give you such curious looks? Is it because they know that you have just wasted a day of your own and your company's time? No. It is because you have, as always, forgotten to remove your name tag.

TECHNOLOGY

David Fishlock looks at the commercial application of science at General Electric

'The closest thing to alchemy'

"WHAT we need right now is new ideas," says Walter Robb, research director of General Electric of the US. But most of the suggestions for what he calls new starts are discarded on the grounds that they are not far-sighted enough to fulfill his ambitions.

One which has succeeded in attracting his interest is pure diamond film. Man-made diamond is probably GE's most famous invention, created at its corporate research and development centre at Schenectady in 1955. Today several tonnes a year of industrial diamond grit, comprising crystals up to 4 mm across, are made by the GE process. A former GE research director has called this invention "the closest thing to alchemy man has ever achieved."

For the past few years, scientists have been excited by the possibility of depositing a film of pure diamond which, like electroplating, might impart its precious properties to areas of baser material. The excitement was just filtering through to a wider public when it was abruptly displaced by a surge of popular interest in "warm" superconductors.

GE scientists have been monitoring research world-wide on diamond-like films for 25 years because they see this process as a potential threat to GE's diamond crystals. Man-made diamond is formed at extremely high temperature and pressure, simulating the conditions needed for creating natural diamond.

Interest flared in 1985 when Soviet scientists suggested diamond could be deposited at low pressure, by using an intensely hot plasma. GE's research centre speedily mobilised a big research effort, involving physics, chemistry, electrical engineering and plasma physics. It also began to comb old laboratory notebooks from the 1960s when it believes its own scientists may have chanced upon the technique.

The difference between earlier diamond films and the latest ones is between "diamond-like carbon" (DLC) films and pure diamond. The essence of the new technology is the cracking of methane gas by plasma or other high-intensity heating, in the presence of a big excess of hydrogen. The resultant carbon appears to plate out with the characteristic structure of diamond.

In this form, diamond could find a multitude of new uses. In micro-electronics, it could serve as a semiconductor, insulator or heat-sink, suggesting a new generation of "carbon electronics" to complement and even compete with materials like silicon and gallium arsenide.

In mechanical engineering, it offers a way of imparting the hardness of diamond to a tough base, to make cutting tools or provide wear resistance. In optical engineering, it would enable the coating of lenses and mirrors with a transparent but damage-resisting finish.

GE scientists, at the Schenectady research centre, with an electron beam evaporation system for depositing superconducting films

Films of carbon even denser and harder than natural diamond, deposited by ion beam, have been reported by Soviet scientists.

"Until the new superconductors came along, this was the hottest topic in materials science," says Bill Smith, who heads GE's research on diamond films. If you can deposit a film, why not continue until you have built up a hunk of diamond crystal? The obstacle is speed of deposition — only a few microns (millionths of a metre) a year at present. "But we're not yet running up against any laws of nature," Smith says.

Man-made diamond, at about $5,000 per lb, is at the premium end of GE Plastics' product range. Its business, based on carbon products, has averaged 16 per cent annual growth for the past five years. A business which earned $2bn last year began with efforts by corporate science in the 1940s to find an alternative to silk as an insulator for copper wire.

From corporate research has come such inventions as polycarbonate, polythenylene oxide (PPO), and Walter Robb's own semi-permeable silicone membrane for the heart-lung machine. Currently, its moneyspinners sell in the range $1.5 to $6 per lb, rising to as much as $100 per lb for a few speciality polymers.

No longer are GE chemists trying to invent new polymers, however. The goal today is new blends — analogous to alloys of metals — with engineering properties (and price) tailored to displace metal from specific markets, such as car bumpers or doors. They even have proprietary names with a metallic ring — Geloy, Azmet, Azloy.

Polymers rarely mix naturally. It takes some sophisticated science to stop the mixture separating during the fabrication stages, says Al Gilbert, who is in charge of engineering plastics research.

Two new blends discovered by his team have recently been introduced by GE Plastics. They involve quite different ways of making their component polymers compatible. One blends PPO and nylon; the other, PPO and polyester. Both alloys are used for car components.

GE Plastics is held up throughout GE as a model of successful technology transfer from corporate R&D into profitable manufacture.

Glen Hiner, who succeeded Jack Welch, now GE's chairman and chief executive officer, as senior vice president of GE Plastics, believes his division transfers technology from laboratory to marketplace more rapidly than any other part of GE. It is also the fastest-growing part of the company. Hiner defines its commercial philosophy as "technology based and market driven."

Popkin Shenian, manager of ventures technology at the division's headquarters at Pittsfield, Massachusetts, says that everyone in GE wants to know the division's secret.

That secret is embodied in the division's three-tier approach to R&D. Each individual product business — including those in the Netherlands and Japan — has its own R&D, for process technology and to help sell and service the polymer.

The division looks to corporate R&D for the new polymer science that may take eight to 10 years, and perhaps 100 patents, before it reaches the market.

But a middle tier of R&D is plastics technology, carried out by the division, through 175 professionals focused on market development at its headquarters at Pittsfield. Its new technology centre has been designed to oblige technical and commercial people to mingle.

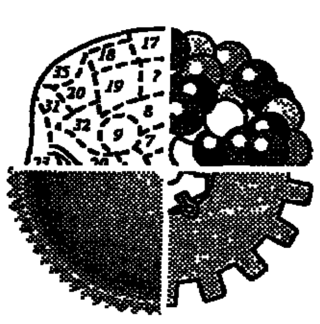
The sophistication of this centre may be judged by the fact that it is already using artificial intelligence to help transfer plastics technology to GE's customers. The motor industry has been the focus of its ambitions for engineering plastics, but now it is beginning to view the food industry as another high-volume market which could need engineered plastics for new kinds of packaging.

Underpinning it all is a strong "human factor", says Shenian. Welch, Robb and other senior executives spent their formative years in GE Plastics. Shenian, once Welch's research manager, calls it a heritage no other GE division can boast.

For another senior scientist the secret is simple: "Our people have been brighter, all the way up to Welch."

Hiner says that he is ploughing back 5 per cent of sales of more than $2bn into the three tiers of R&D. He wants corporate science to provide a vision of the materials of the future.

For him, the biggest challenge remaining is to sell the motor industry an all-plastic bonnet. "We think we're close." The engine itself he is content to leave to somebody else.



WORTH WATCHING

Edited by Geoffrey Charlish

Fast, erasable and optical

A LOW-KEY announcement from Kodak indicates that its Verbatim subsidiary in California has successfully completed the development of a 3.5 in erasable optical disk drive.

The likely price is not revealed, but if it is pitched low enough there could be a major impact on the personal computer (PC) data storage market. One of the disks can hold around 50 times as much information as the 3.5 in magnetic disks currently used in PCs.

The product is ready for mass production, although it is understood it will not be available in Europe for about a year.

Reservations about slow access times for optical disks now appear unfounded because Verbatim says the average time to find a record on the disk is 30 milliseconds (thousandths of a second), similar to that of magnetic hard disks.

Both capacity and access time are better than the targets the company set for itself when the project was first announced in 1985. The company believes the system has sufficient speed "for virtually any use."

***Thermo-magneto-optical* (TMO) technology is used and the new product is called System 35/60.**

Donald Strickland, Verbatim's managing director for optical products in the US, emphasises that the head crashes (caused by the closeness of the head to the surface of the disk), which can be disastrous in magnetic systems, cannot occur in the optical device because there is a relatively large gap between the two.

TMO uses two different effects for recording and reading. To record, a tiny laser beam acts at the same time as a magnetic field. The laser heats the special metallic film on the disk surface, loosening the magnetic particles which are then magnetised in an upward or downward direction (at right angles to the disk) to form a digital 0 or 1.

On playback, a special form of light passing through the disk is affected differently for a 0 or 1, allowing each to be distinguished at high speed.

Erasure takes place when the next recording is made, since the magnetic particles at each location are loosened again and re-arranged by the new data.

Computers that help themselves

INFOLINK Software in the UK says that computer centre managements should seriously consider unattended operation in view of rising wages, skill shortages, training difficulties and the risk of human error.

The company sees it as ironic that although computer power is applied to the automation of all kinds of business tasks, the computer operating centre is often the last department to be automated.

Infolink has been licensed by International Software Company, a Belgian group, to offer a system called Automatic Operator. This will either suppress or respond to the routine system messages sent to computer operators.

More important messages can be highlighted and forwarded to a senior member of the staff. The software can be tailored to a particular data centre's needs and takes up about one per cent of the typical mainframe's capacity.

Spreading the high-tech word

AN ORGANISATION which aims to spread national technological achievements throughout the European Community has been set up by the British Technology Group and its opposite numbers in France, The Netherlands, Denmark and West Germany.

Eurotech will provide a licensing network and each member will select technologies to be offered to other members. Ireland, Spain, Italy, Portugal and Greece, currently "observers", are expected to become full members later.

May the force be linear

THERE ARE countless occasions in engineering where force has to be applied in a straight line or where straight line motion is needed to operate another part of a machine or system.

The component used, the linear actuator, usually functions by converting the rotary motion of an electric motor by means of rack and pinion, or cable and pulley. It might also use pneumatic or hydraulic cylinders.

Linear Technology of Rayleigh, Essex, in the UK, seems to have combined the best characteristics of these in a single unit. It is offering an electro-magnetic actuator which is capable of high speeds, can be positioned accurately and is load-carrying. No gears are involved and so there is no backlash.

The design might best be described as a controlled solenoid. A solenoid is an iron rod that moves inside a cylindrical coil when the coil is supplied with electrical current. But it moves once only, to a fixed position, where it stays unless the power is switched off.

In the Linear Technology device, a number of separate solenoid coils are contained in the moving part of the system, the thrust block. A stationary rod containing magnets runs through the middle of the block and its circular windings.

When any of the coils are fed with current, there is an interaction between the magnetic fields of block and rod, and a resulting force on the block. This makes it slide on the rod, the direction depending on the currents in the coils.

Computerised, sequential energisation of the various coils enables a variety of speeds, accelerations and positions to be taken up by the block on the rod.

The company offers control units which can be programmed from a personal computer. The block can adopt a wide variety of motion and position patterns. In some models, the block can be made to return to the same position to within a few millionths of a metre. In others, loads of up to 1000 kg can be moved, or speeds of 10 metres/sec achieved.

CONTACTS: Verbatim: European HQ in the UK on 0784 39781. Infolink Software: London, 642 4242. British Technology Group: London, 403 6666. Linear Technology: UK, 0268 741322.

ARTS

Magical monochrome

Christopher Dunkley explains why he tends to view black and white films through rose-tinted glasses

In the days when I did a monthly phone-in about television on London's LBC Radio one or two callers would always ask, in outraged tones, why, after they had paid the price of a colour licence, they were deluged with all these old black and white movies.

I responded in several ways: a colour licence was not a guarantee that all programmes would be in colour; black and white films actually represented a very small proportion of the output; tinted versions of many old films were being produced precisely because black and white caused so many viewers to switch over; and almost invariably the other three channels would be broadcasting programmes in colour.

However, the truth, which I often admitted, was (and is) *that I would happily* pay the licence fee for the black and white movies alone. Few things in life produce quite such a sense of pleasurable anticipation as the picture of the RKO Radio mast atop the globe; *after all*, it prefaces such treats as Fred Astaire and Ginger Rogers in *Top Hat*. There are other logos — the growling lion, the swinging searchlights, the giant gong — whose appearance has an effect close to that of the house lights dimming in a theatre, but only the deeply carved "W.B." on the shield of Warner Brothers conveys quite the same promise as the RKO Radio mast.

Between the mid 1920s and the mid 50s Hollywood turned out a mass of thrillers, romances, Westerns and musicals which television has never really managed to match. Some might argue that *Dallas* is as popular today as Humphrey Bogart's or Bette Davis's movies were in the 40s. Certainly it is true that whereas it took 30 years for the Cahiers du Cinema crowd to start taking American movies seriously, we already have a mass of serious analysis devoted to *Dallas*.

But it is significant that while the Hollywood horror movies and Westerns attracted the attention of serious critics and budding film makers such as Truffaut, *Dallas* attracts only media academics and sociologists.* Nobody, surely, would claim that *Dallas* or any of its clones has the magic or the staying power of *Some Like It Hot*, which you can see on BBC2 on *Christmas Day*, or Fritz Lang's *Fury* (ITV December 27) or *Casablanca* (BBC2 December 30).

Twice in the past week there have been occasions when a two-shot of a man and a woman in big close-up has been backed by that kidney-shaped view of a rapidly receding landscape, a picture which says: "This is an American movie, almost certainly made in the 1940s, probably shot in a Chevrolet, and likely to be worth watching for one reason or another."


Greta Garbo and John Gilbert in *Flesh and the Devil* (1926)

The first was Jacques Tourneur's 1947 work *Build My Gallows High* in BBC2's excellent film noir series, "Fatal Attractions." It was, we are assured, the film which made a star of Robert Mitchum, and it featured all his trade marks: the drooping eyed relaxation, the crumpled trench coat, the trilby, the gun, the girls. The second was *Gun Crazy*, a B-movie made by Joseph E. Lewis in 1949 with John Dall and Peggy Cummins playing a down-market version of Bonnie and Clyde.

'The truth is, I would happily pay the television licence fee for the black and white movies alone'

Between the two BBC2 screened the 1959 pastiche/tribute to the American crime thriller, *A Bout de Souffle*, written by Truffaut and directed by Jean Luc Godard, and one of the best films with which either has been involved. With Seberg as the girl selling the Trib on the Champs Elysée and Belmondo as the man stealing Cadillacs as casually as the rest of us catch buses, it is a powerful evocation of 50s Paris.

Other old movies *available* to all in the past week for the 16p a day which the licence costs have included *The Beast With Five Fingers* a petit guignol horror movie about a pianist who cuts off his own hand after he is dead and sends it back to tickle the ivories in a ghostly manner and throttle his old acquaintances . . . or is it all in the mind of Peter Lorre? Without Lorre and some very low lighting this film would be nothing: with them it is quite something.

On Sunday afternoon Channel 4 showed *Flesh And The Devil*, no less: the 1926 silent which became more famous for the Garbo/Gilbert relationship off-screen than for the smouldering sex on screen. (Though Garbo proved here that she could convey a more powerful sense of sexuality by removing her gloves than many of today's stars achieve by removing their knickers).

Of course, watching this extraordinary piece of work on a television screen is not the same as watching it in the Dominion, Tottenham Court Road, projected over the heads of Carl Davis and a full orchestra. If Thames were to lose their licence during some future ITV auction, perhaps they would be remembered best as the company which enabled Kevin Brownlow and David Gill to return silent cinema to its proper place in the pantheon of world entertainment. Watching *Flesh And The Devil* on television is very much better than not watching it at all.

What is it about American movies which sets them aside from television drama? They *are* in black and white, but then so are *Wagon Train* and *The Untouchables*. Perhaps the most important point is this: while the strongest tradition in British cinema (from *The Man In The White Suit* to *My Beautiful Laundrette*) has been an almost documentary form of realism, the strongest strand in American cinema — from the Western to *Star Wars* via the musical and the horror film — has been fantasy.

In Britain the tradition of documentary realism has carried over into television: from *Cathy Come Home* to *Christabel* it has been the strongest element in the output, even though there have, of course, been welcome exceptions such as *The Singing Detective*, and even *Edge Of Darkness*, which was often grimly realistic but contained moments of unmistakable fantasy.

In the great age of the American movies, fantasy was virtually the rule, starting with something as marginal as the interiors in *Flesh And The Devil* (that astonishing curved staircase which could only be built in an hangar or a film studio) and moving up to the entire Western myth. Perhaps the "purpose" of the Western was to create a history and a morality for a young immigrant society, but the effect was to create one of the strongest forms of narrative entertainment ever invented, and virtually all of it pure fantasy.

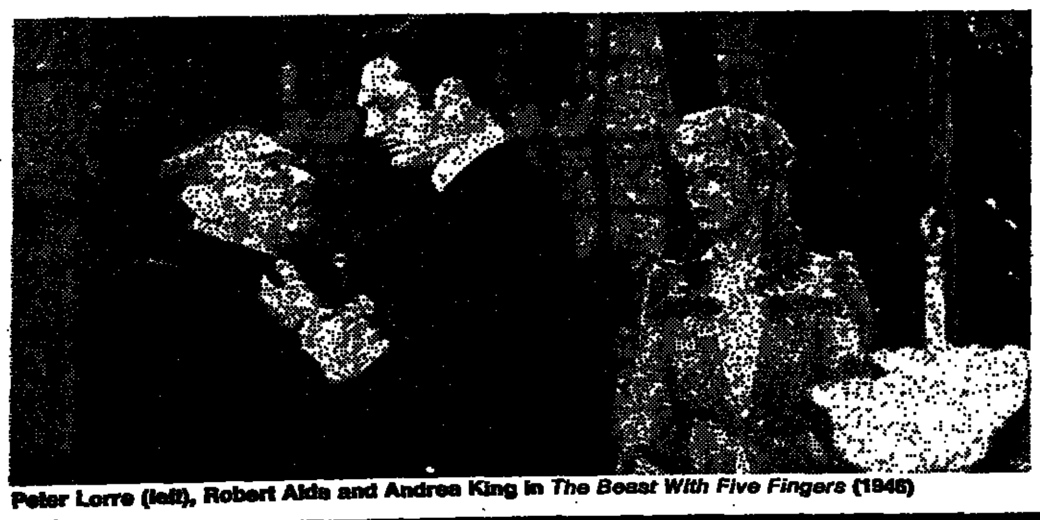
Strong narrative with a powerful fantasy element has been at the centre of public entertainment throughout the recorded history of this sort of activity, from Aeschylus to Spielberg. The material produced for American cinema provides an important part of *the television mix which* — particularly in Britain — would otherwise be over-egged with realism, not to mention reality.

Most of us have become blasé about the ready availability of these "old movies," but we should beware: in the television world nothing stands still. "Colorisation" proceeds apace, the object being to hold those LBC listeners who refuse to watch black and white movies. *Casablanca* and *Topper* have both been done, though the versions being shown by the BBC this Christmas are original monochrome, *Topper* being screened on BBC1 at midnight tomorrow. The next day Channel 4 shows a cut and tinted version of Fritz Lang's amazing 1926 futuristic vision, *Metropolis* with a new rock score. Some critics have liked it, *but it sounds doubtful*.

Furthermore, the very availability of movies on "free" terrestrial television becomes more problematical as competition among cable and satellite operators drives prices up. Britain's BSB, which is due to start running a subscription movie channel off its satellite next year, is now reputed to be *paying $1m a time for first* non-theatrical rights. BBC and ITV will still be able to acquiremovies (albeit a little lower down the pecking order, after cinemas, video outlets and pay-TV) but fewer people will want to see them off air: they will have seen them already either off the satellite or on video. So movies may play a less central rôle in television scheduling

However, that makes little difference to the attractions of *Bogart and Bacall, Garbo or* Gable, which will, with luck, continue to be some of the best reasons for owning a television.

*Their most recent production is *East Of Dallas: The European Challenge To American TV*, BFI Publishing, £7.95.


Peter Lorre (left), Robert Alda and Andrea King in *The Beast With Five Fingers* (1946)

Petrushka, Bastet, Choros

SADLER'S WELLS

The triple bill by Sadler's Wells Royal Ballet brought the first London showing of Lynn Seymour's *Bastet* and the return of David Bintley's *Choros*, but it was *Petrushka* — oddly placed at the beginning of the evening — which best showed the company's style and gifts. Fokine's crowd scenes bustle with the right vigour within the confines of the Wells stage, and the cast know who they are, and why they are there in Petersburg's Admiralty Square.

Michael O'Hare is a new generation Petrushka, but he forms the character from the right clay, and shows us a marionette whose limbs are still jerked by the unseen hand of the Showman. As he beats his head unavailingly against his cell door, our hearts are torn, and the desperation as he bursts through the wall is very fine. The portrait is as yet made up of excellent but isolated moments; more performances will surely bring complete coherence.


Royal Ballet, Sadler's Wells, in Bastet

Everything else in the staging took its proper course, with Margaret Barbieri a vapid Doll and Stephen Wicks a wholly *mindless Blackamoor. I wish*, though, that the lighting for the final scene could convey the blue dusk as snow starts to *fall* and the *gaiety* of the *fair* fades: the present arrangement is somehow unimaginative.

I did not admire *Bastet*, Lynn Seymour's trip to the Valley of the Kings, when it was first shown in Birmingham last spring. It looks like something that might be the floor show in a particularly accommodating *Theban bordello, its pretensions* to art residing in segments that owe not a little to Balanchine's *Prodigal Son* and *to some steamy moments from* MacMillan ballets.

Trumpery design by Andrew Logan further cheapens its effects. My sympathies are with the lovely Susan Lucas as the heroine, and with Petter Jacobsson as a young man who develops a headache every time his girl friend suggests a *game of Mummies and Daddies*. They deserve better of dance and fate than this.

Bastet has been slightly reworked. So has *Choros*, David Bintley's commentary upon Ancient Greek dance forms. An eye-catching gymnasium setting by Terry Bartlett frames buoyant choreography, which hints at rivalries, flirtations, little jokes. It was, on this occasion, well done, though without the edge of physical panache that I recall from earlier showings. But it is a strong repertory work, and one which gives happy challenges to its cast.

Clement Crisp

School For Clowns

LILIAN BAYLIS THEATRE

Christmas quiz question: in which two current London productions not written by A.A. Milne or C.S. Lewis does a character called Weasel appear? Answer: Mike Leigh's *Smelling A Rat* at Hampstead, and Ken Campbell's 1975 version of F.K. Waechter's modern German classic, *School For Clowns*, brilliantly revived for Christmas in the Lilian Baylis wing of Sadler's Wells.

Weasel, Puff, Pimple and Drippens are the four clowns swotting for a final test under the tyrannous scrutiny of the cane-wielding Professor Molereasons. *Their activity is a mixture* of resentful anarchy and imaginative lunacy, as the Professor sets them scenario challenges from *his* big black book.

Ken Campbell's dialogue sounds like the the wilder ravings of Beachcomber, while the stories of three dwarfs and a wicked stepmother, anglers done out of their fish by a *crash-landing pilot*, and, especially, the delightful holiday episode of a teacher who, when it is foggy, trips over a loggy and falls in a boggy, are slap bang in the British nonsense tradition stretching from Edward Lear to Spike Milligan.

While fully allowing the script its idiosyncratic head, a sort of *child's play equivalent* of Nigel Williams's *Class Enemy* rolled into Trevor Griffiths' *Comedians*, director Martin Duncan provides another visual dimension.

This stems from Tom Cairns's striking Expressionistic design of a flat yellow wall that splits into moving sections and contains a perspective *interior for* the classroom. The clowns jump out of the room to perform their sketches in a Surreal limbo littered, like a Dali landscape, with emblematic scenery — a ladder, a bed, a hanging rope, a Christmas tree. In grey suits, white faces and large round collars, they resemble blasted fugitives from Wedekind's *Spring Awakening*.

On top of all *that*, the acting is of high-octane density. Bob Goody is a ferociously beaky


Picture: Alastair Muir
Bob Goody (left) and Ian Bartholomew in *School for Clowns*

Professor, while each of the *clowns* (Ian Bartholomew, Stephen Beagley, Linda Dobell and Pearce Quigley) is neatly characterised and physically, often balletically, entwined with his colleagues.

The climactic integration of cast and audience is wonderfully achieved, with children helping clowns prepare for the examination. The Professor *then upsets these preparations* by challenging his charges to awaken a sleeping population by moaning, laughing, blowing *raspberries, and jumping up* and down. The Observer, I gleefully noted on the First Night, was jumping up and down, while Time Out sat moaning and groaning as usual. This critic, his face blue and dignity in tatters, was busy producing his ripest raspberries for shows that, one day soon, will richly deserve them.

Michael Coveney

Messiaen and Beethoven

SOUTH BANK

The 5.55pm recitals on the Festival Hall organ are a special *taste, of course, but* occasionally they connect with the broader pursuit of some theme. Amid the current Schoenberg festivities, for instance, his fine Variations on a Recitative — to be heard in Timothy Bond's recital on January 17 — is a prize exhibit (and unlikely to be heard in your parish church). The organist-composer *Olivier Messiaen is a* more obvious candidate for exposure at 5.55, while his 80th birthday celebrations continue; and since you *might* these days hear the odd Messiaen number in your parish church, the South Bank has sensibly brought in Gillian Weir to expound his complete organ works with complete authority.

It is unnecessary now to advertise Miss Weir's triumphant command of her instrument and her music — secured, *when it is Messiaen's*, through intensive work with the composer himself. I chose to hear Friday's instalment of her Messiaen cycle for the sake of the 1950 *Messe de la Pentecôte*, the most pungent but least flashy of his large organ pieces. No steam-calliope effects, no Gounod gushes, but only close-focus development *of what were then his seminal* concerns: Hindu rhythms, musical permutations, birdsong — and, as always, devotional raptures.

Formulaic music it may be, but if played mechanically it dies under the fingers. Miss Weir did not disappoint: every phrase was stamped with character (she knows exactly how to tap the potential of the Festival Hall organ), and the dramatic pace of each movement was judged to a hair's-breadth. The *Messe* is Messiaen unadorned, pure private obsession in the service of ecclesiastical ends; to bring it to vivid, audible life, as she certainly did, requires penetrating sympathy and self-effacing skill of a high order. The Pentecostal tongues of fire were made to speak.

* * *

Later the Queen Elizabeth Hall hosted the new Amadeus Trio: two survivors from the irreplaceable Amadeus Quartet, the violinist Norbert Brainin and the cellist Martin Lovett, and the much younger pianist, Arnaldo Cohen. There were plenty of rewards in their all-Beethoven programme, but also a prevailing impression of *collaboration-in-progress*.

Cohen was a most scrupulous partner, to the point of seeming just a super-acute accompanist in the C minor Trio from op. 1 and the E-flat from op. 70. How often does one regret that the strings in a piano trio have thrust the keyboard into the background? Brainin and Lovett positively radiated ripe character; Cohen gave selfless support. With the op. 97 "Archduke" Trio, where one hoped that he would at *last show his hand, he was* delicately imaginative, experimental, unemphatic, where his colleagues were bold and persuasive. The three of them take evident pleasure in making music together, which guarantees pleasure for an audience, but it will take some time yet for them to grow into a full-blooded triumvirate.

David Murray

ARTS GUIDE

December 16-22

THEATRE

London

Single Spies (Lyttelton). Marvellously entertaining new Alan Bennett plays about Guy Burgess and Anthony Blunt, with Simon Callow and the author. Prunella Scales joins in as Her Majesty the Queen. In National Theatre repertoire until February 4 before transferring to West End (928 2252).

The Wizard of Oz (Barbican). Re-cast revival of last year's RSC Christmas show of the MGM film, scenically a treat *but*, like the Cowardly *Lion*, lacking heart. Ends Jan 14 (638 8891).

Richard II (Phoenix). Derek *Jacobi in top form* - petulant, funny, mellifluous - is both ideally cast and full of surprises as the monarch who exchanges trappings for knowledge. Otherwise, a production of prehistoric values, with creased tights, wimples, trumpets off and Robert Eddison as John of Gaunt (836 2294, CC 240 9661).

A Walk in the Woods (Comedy). Alec Guinness and Edward *Herrmann in feeble off*-duty arms negotiation encounter by Lee Blessing. Guinness, back on the London stage after 10 years, is in subtle virtuoso form as the Soviet veteran of tactical stonewalling and no-dealing tricks (930 2578, cc 839 1438).

The Secret Rapture (Lyttelton). Brilliant new David Hare piece for the National Theatre, a satirical but moving romance on life, love and family politics in Thatcher's Britain. The play of the year (928 2252, cc 240 7200).

Easy Virtue (Garrick). Transfer of King's Head revival of early Noel Coward, same period but lesser vintage than Hay Fever, but worth seeing (379 6107).

South Pacific (Prince of Wales). Average, traditional revival of the great Rodgers and Hammerstein musical, with Gemma Craven failing to wash the baritonal Emile Belcourt out of her hair (839 5989).

Follies (Shaftesbury). Eartha Kitt and Millicent Martin now decorate Mike Ockrent's strong revival of Sondheim's 1971 musical, in which poisoned marriages nearly undermine an old burlesque reunion in a doomed theatre (379 5399).

The Sneeze (Aldwych). Eight short Chekhov pieces — four vaudevilles, four early *stories* — translated and adapted by Michael Frayn and performed in various styles by Rowan *Atkinson, Timothy West* and Cheryl Campbell. Slightly rewarding, intermittently funny (836 6404, cc 379 6233).

The Shaughraun (Olivier). Recommended Christmas treat, as Boucicault's melodrama is given the full scenic works but is also revealed as a key Irish dramatic milestone. Fine National Theatre cast led by Stephen Rea. (928 2252). Dec 17-23, Jan 5-10, 19-21.

Amsterdam

The Footsbarn Theatre with Babylon (Thur). Stadsschouwburg (24 23 11).

Eindhoven

The Footsbarn Theatre with Babylon, based on Bulgakov's Master and Margarita. Stadsschouwburg (11 11 22).

New York

Rumours (Broadhurst). Neil Simon's latest comedy is a self-conscious farce, with numerous slamming doors and lots of mugging but *hollow humour that* misses as often as it hits. Christine Baranski leads an ebullient cast in the inevitable but disappointing hit.

A Chorus Line (Shubert). The longest-running musical in the US has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions (239 6200).

Les Misérables (Broadway). The magnificent spectacle of Victor Hugo's majestic sweep of history and pathos brings to Broadway lessons in pageantry and drama (239 6200).

Me and My Girl (Marquis). Even if the plot turns on ironic mimicry of Pygmalion, this is no classic, with forgettable songs and dated leadenness in a stage full of characters. It has nevertheless proved to be a durable Broadway hit (947 0033).

M. Butterfly (Eugene O'Neill). The surprise Tony winner for 1988 is a somewhat pretentious and obvious meditation on the true story of the French diplomat whose long-time mistress was a male Chinese spy (246 0220).

Speed-the-Plow (Royale). David Mamet applies his biting sarcasm and ear for the exaggerations of American language to Hollywood, in this screamingly funny and well-plotted exposé of the film industry (239 6200).

Phantom of the Opera (Majestic). Stuffed with Maria Bjornson's gilded sets, *Phantom rocks with* Andrew Lloyd Webber's haunting melodies in this mega-transfer from London (239 6200).

Chicago

A Christmas Carol (Goodman). William J. Norris celebrates his tenth season as Ebenezer Scrooge in the annual holiday production with a cast of 26, directed by Michael Maggio. Ends Dec 28 (829 4141)

Tokyo

Kabuki this month celebrates the *art of the Onnagata (female* impersonator). At the National Theatre, 71 year old Living National Treasure, Nakamura Utaemon VI, plays one of his most famous roles, perhaps for the last time, in Meiboku Sendai Hagi (The Disputed Sucession). Performances at noon and (Wed, Fri) at 5pm (265 7411). Meanwhile, the 4.30pm programme at Kabuki-za (541 3131) features Osome Hisamatsu, with 35 year *old Tamasaburo Bando, who is* regarded by his large following among young Japanese girls as a paragon of grace and femininity. The 11am programme at Kabuki-za is of less interest. Both theatres have excellent earphone guides in English and comprehensive English programmes.

Noh. (Wed). A double-bill of the noh play, Kiso, and a kyogen comic interlude. Japan's most esoteric *art form is not* to everyone's taste, but should be experienced at least once by everyone who wants to discover why Japan will never become a "western" nation. (Most other Noh theatres are open at weekends only. Check local press for details.) National Noh Theatre (423 1331).

The Tempest. Directed by the prolific and ever-inventive Yukio Ninagawa, with music by Uzaki Ryudo. This visually enthralling production was seen at this year's Edinburgh Festival and transposes the action to Sado, Japan's own island of exile and mystery. Stylistically it draws on elements from the Noh theatre. Imperial Theatre (201 7777).

Sticky Fingers

KING'S HEAD

The step from serious money to serious image-building is a short and familiar one. Michael Ellis' new musical takes it into the realm of race relations and community action with the scenario of an advertising agency, Starky and Starky, courting the services of a black musician in an attempt to buy street cred for a campaign promoting the takeover of council housing by private landlords.

Our hero, Maxwell, is holed up in a North Peckham squat with his black girlfriend, Tameka, a young white Sloane with a social conscience and an urban cowboy whose provenance is more Spaghetti Junction than spaghetti Western.

Strangely, for a show which is all about "concept," it is its concept which lets it down. One could forgive the sameness of the storyline if Ellis had done anything interesting with the characters. Instead, all the cliches are trotted out: the glossy advertising executive (Louise Jameson), prostituting her sex and herself to procure the creative goods for her neurotic boss (Nicholas Le Prevost); the well-bred blonde (Lucy Aston), dabbling eagerly in housing action work, while the squatters face up to the temptation to sell out and be *politically damned*.

Alan Cooke's ebullient Maxwell goes through the motions of seduction, infidelity and guilt, but the resulting crisis of conscience has no weight because there is nothing remotely real about the temptations that are thrown his way, nor is there anything remotely credible about the injury his vacillations have done to the ever-faithful Tameka, whose singing is undauntedly upbeat.

We take it on trust that Maxwell does have a crisis of conscience because there is a song with that title, just as the number "Look Back in Anger" intimates that Tameka is in fact hurt. Neither the script, nor Yvonne Brewster's bouncy direction, have the emotional texture needed to give body to the comedy.

Musically, Ellis has come up with a competent pastiche of styles ranging from jazz attack to soul: there is nothing strikingly original in the 17-song score, although he does have a knack for producing good tunes, a few of them delivered with abundant star quality by Amanda Symonds — very good. What he needs to do now is to go back to the drawing board and work up a book to match the *music. In its present* form, *Sticky Fingers* is a living rebuttal of Charles Starky's assertion: "Take a whim, give *it* a budget, script it, broadcast it and it's real."

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The clouded crystal ball

IN RELEASING its latest Economic Outlook, the secretariat of the Organisation for Economic Co-operation and Development can delight in the recent economic performance of the OECD economies. For the very same reason, however, it must lament its own forecasting record. A year ago – just after the stock market crash – the OECD projected growth of 2¼ per cent in OECD gross national product for 1988. Now it estimates 4 per cent growth and, given the direction in which things have been moving, it would not be surprising if this, too, proved to be an underestimate.

One must start with what has gone wrong (or, rather, right) over the last two years. Fortunately, the OECD itself provides a helpful analysis. It concludes that fiscal and monetary policies were not only more stimulative overall than projected in June 1987, but – more important still – more differentially stimulative than expected. There was a less expansionary policy in the US and a more expansionary policy outside the US than then forecast.

None the less, as the OECD says, "the main reasons for the errors in the projections of activity do not lie in changes in policy stance but are related to other factors." Most striking of all has been the strength of non-residential private investment, whose growth rate more than doubled between 1987 and 1988. In 1988 the contribution of non-residential private investment to the growth of total OECD demand was almost as large as that of private consumption.

A virtuous circle

The OECD's discussion of what lies behind this rise in investment is somewhat unclear. One can, however, spy behind the murk a virtuous circle started by sustained control over inflation and half a decade of steady economic growth. Accommodating macroeconomic policies then gave the added push needed to create the unanticipated economic boom of 1987 and 1988. All in all, the conditions for sustained growth now seem closer than for one and a half decades.

The OECD notes three risks: rising inflation, persistent external imbalances and protectionism. On the first the OECD remarks that the underlying rate of inflation in the OECD countries has risen to 4 per cent a year and that unused capacity is now limited in many countries. The monetary tightening that has occurred since the summer has been justified, therefore, since a return to the stagflationary conditions of the 1970s must be avoided at all costs. The OECD is right, however, to emphasise that in several countries (above all the US) the cost of controlling inflation would be far lower if fiscal policy were to be adjusted, too.

Trickier issue

External imbalances are a trickier issue. The striking feature of what has happened is that in the US and Japan at least the balance between growth of demand and GNP has been right. Only in Germany has the real adjustment been negligible. None the less, in dollar terms the external adjustment has been modest (the US current account deficit, for example, being expected to fall to $132bn in 1988 from $154bn in 1987). Given the hectic pace of world demand and the present balance of risks in the world economy, the onus for further action now falls, first and foremost, on the US fiscal authorities, then on Germany and lastly on Japan.

Finally, there is the problem of protectionism. As the OECD notes, the direction of trade policy is disturbing for international relations and potentially lethal for the long-term prospects for economic growth.

The world economy is not working as many economists believed, but far better. However cloudy the crystal ball, it appears that a number of quite modest changes in policy – fiscal adjustment in the US, a continued monetary caution outside the US, renewed efforts to liberalise markets, above all in international trade – might restore to the world a pleasure thought to have disappeared for ever: a long period of sustained economic growth. This opportunity has to be seized.

Competition for the front line

THE BRITISH Government has taken 20 months to deliver its Solomonic judgment on the army's new tank: it will continue to buy British if the British tank is ready on time and does the job. Why it could not reach a decision sooner is a mystery. It would have saved the army and the industry some anguish.

The choice between Challenger 2, which Vickers will now finish developing, and the improved M1A2 Abrams, made by General Dynamics of the US, has been muddied by arguments extraneous to the issue of which is the best buy. These have involved the maintenance of national capacity, jobs and export opportunities.

The Government is to be commended more for caution, in pinning Vickers to strict timing and performance targets before adjudging the final order, than for pluck. It has steered between dangers on both sides. On one was the political storm that picking a foreign tank would have brought from both the opposition benches and its own. On the other was the fear of being hauled over the coals again for unwisely spending taxpayers' money by going down a British cul-de-sac, as it did with the Nimrod airborne radar.

Time and faith

The choice was between a US tank that the army would be happy to have and a British tank that promised to be at least as good, given extra time, some money and a bit of faith. The army wants a tank that meets its specifications and can be depended on to arrive on time. The deal with Vickers is meant to ensure that it is not saddled with the wrong one.

But the Government should never have become locked into a sink-or-swim-for-British-industry decision in the first place. The defence sector is not, and should not be, immune from the complex international relationships that are forging the shape of other industries. Even in tanks, the new Challenger is not so all-British, since it incorporates key French components; nor is the Abrams, with its German main gun and Belgian machine-guns, so all-American.

The West's latest range of main battle tanks – US, British, French and German – leaves behind it a path strewn with the wreckage of missed opportunities for collaboration. For the next generation of Nato tanks, the pieces have to be picked up. For reasons of both cost and military effectiveness the tank-making allies need to collaborate and, for the same reasons, to build in as much supplier competition as possible.

Price leaps

The price of big weapon systems leaps from generation to generation with the increase in sophistication. Governments such as the UK's need to become more sophisticated, too, in the way they justify the expenditure. In the case of the four-nation Eurofighter, both the Germans and the Spanish came close to dropping out because of the expense. The decision to go ahead with development was made without knowing what an alternative Euro-US venture would cost.

Of all European countries, the UK has taken the lead in promoting competition in arms procurement and in trying to extend the same kind of practices between European members of Nato. It should now push this initiative to its logical conclusion: narrowing down the fields in which it is worth competing. Single European nations can no longer contemplate manufacturing a complete range of modern arms on their own. They must specialise, trade in hitherto protected sectors, collaborating where necessary in high-cost programmes.

In promoting co-operation, European nations must avoid the temptation, dangled mostly by the French, of excluding the US. The UK, West Germany and others are right to oppose European Commission moves to apply common external tariffs to arms, which would undermine transatlantic co-operation. In defence, as in other industries, European technology must be made to prove itself competitive – just as Vickers must prove it can make its tank as good as any on the market.

Michael Prowse on the debate over Britain's priorities in scientific research

"We should support those teams, however small, which can demonstrate the intellectual flair and leadership which is driven by intense curiosity and dedication."

Margaret Thatcher at the Royal Society September 1988

Why bigger may not be better

The Prime Minister's professed support for small-scale, curiosity-driven research must be provoking hollow laughter in Britain's scientific community. Just about every policy initiative launched in recent years has favoured big teams, "exploitable" science and "directed" research projects.

Indeed, the big is beautiful mentality is arguably as well established in British science today as it was in industry in the late 1960s. So is the notion that committees of wise men can sensibly determine priorities. Anyone who doubts this need look no further than A Strategy for the Science Base – the key policy document published by the Advisory Board for the Research Councils in 1987.

The following sentences are typical of the flavour of this technocratic report:

- "There is a lack of purposeful direction, nationally, in the redeployment of research effort, both between and within institutions."
- "We need to make the transition from a widely-distributed university research base to a system in which fewer centres are equipped to world class standards."
- "Standing back, the development of selectivity and more directive management can be seen as the inevitable response to the challenge of managing science."

The Advisory Board has not had all its wishes granted. Mr Kenneth Baker, the Education Secretary, has fought shy of formally segregating universities into three classes: R (capable of substantial research); T (capable of teaching and "scholarship" only); and X (capable of limited research). But virtually everything else seems to be going through.

The report called for the establishment of big interdisciplinary research centres (IRCs), independent of the universities and thus more susceptible to "positive" management by officials via the research councils. These were intended to bring UK research in specified fields of exploitable science up to "world class" standards. The first, on warm superconductivity, has just been opened in Cambridge. Many more are planned.

The goal of increasing the proportion of directed research is also being achieved by a shift in research council funding from support for small projects (often involving only a few talented individuals) to programme grants for large research groups. These are "inherently more susceptible to strategic articulation" and "easier to monitor and review." A parallel shift from funding research through university block grants to funding via research councils is another means of tightening central control.

A Strategy for the Science Base called for greater emphasis on "exploitability" and greater involvement of businessmen in setting scientific priorities. The Centre for the Exploitation of Science and Technology has accordingly been launched. It is not, of course, supposed to pick winners, but it apparently hopes to identify opportunities for IRCs. One of the businessmen who helped raise industrial finance for the centre even expressed his hope that it would play the role of Japan's Ministry of International Trade and Industry.

Industrialists are exerting influence in other ways. They are heavily represented on the new Universities Funding Council. This will impose much tighter controls on academics than the existing University Grants Committee. Businessmen also sit on the Advisory Council on Science and Technology (Acost), the key central committee set up to establish priorities for British science.

While not calling for a restructuring of the five main research councils, the report did rehearse arguments for rationalisation and "more executive authority at the centre." Plans are now afoot to create a single large Biological Research Council by merging two small councils concerned with agriculture and food, and the environment.

Some would go further still. Sir David Phillips, the Oxford molecular biophysicist who chairs the Advisory Board for the Research Councils (and who, with Mr John Fairclough of the Cabinet Office, was the driving force behind the new science policy), would like to merge all five councils. A National Science Foundation, along US lines, is "very much a runner in the longer term," he says.

Above all, the 1987 strategy document called for concentration of university research efforts. The R, T, X formula may be technically dead, but the proposals for the rationalisation of physics and chemistry departments are very much alive. Review bodies established by the University Grants Committee last month called for the closure of many small departments.

Neither Sir Sam Edwards, chairman of the physics review, nor Professor F.G.A. Stone, chairman of the chemistry review, saw much merit in Mrs Thatcher's concept of supporting creative teams, "however small". According to Sir Sam, mergers are "inevitable and advantageous." Physics "would emerge stronger from concentrating staff and students into fewer universities" and the UK would be better able to provide a "range of internationally competitive research."

Both these reviews concluded, mysteriously, that departments must contain at least 20 staff and 200 students to be viable; figures apparently plucked from the air; certainly no detailed attempt has been made to justify them. Six of the 15 top university departments in terms of research earnings are inefficiently small by this artificial criterion.

The rationale for concentrating scientific resources and establishing tighter control at the centre runs roughly as follows. Britain is a small country and cannot afford to spend much on science. Yet both the number of opportunities for research and the cost of doing "frontier" science are escalating rapidly. Therefore the UK must be selective in the science it supports and strive where possible to spread equipment costs over large numbers of researchers.

Mr Ben Martin of the Science Policy Research Unit in Sussex strongly supports the thrust of present policies. "I suspect the answer is that we don't need 50 physics departments," he says. "Either you impoverish everybody or you let some have the equipment to do frontier physics."

"Britain," he says, "must adopt a more selective approach to research." He points out that Sweden recognised the need to concentrate its resources more than a decade ago and has been successfully identifying scientific priorities ever since. Even the US, despite its vast science budget, is having to make hard choices. Thus the UK's future lies in swallowing its pride and locating fields of research where "we have clear comparative advantages in terms of industrial applications." In Britain this means chemicals and pharmaceuticals.

But some scientists and economists are sceptical of this conventional wisdom. Professor Denis Noble, Oxford physiologist and founder of the pressure group Save British Science, says the "big is beautiful" argument is "only a quarter true but has been made into a whole truth." He accepts that some scientific research requires "quite massive funding" but argues that "it is a total over-reaction to this problem to try to close 20-odd departments." He points out that separate research groups can share facilities (and thus reap economies of scale) without merging and losing their independence.

He maintains it is impossible to predict where excellence will emerge. "Nobody would have expected Dundee to have one of the best biochemistry departments in the country. Yet it has been transformed by the efforts of a single creative individual."

Dr David Edgerton of the Centre for the History of Science, Technology and Medicine at Manchester takes an even stronger line. He argues that the twin policies of selectivity and centralisation are evidence of a "naïve technocratic" bias on the part of a government which professes to believe in markets and freedom.

In a recent paper, written jointly with Dr Kirsty Hughes, he argues that the supporters of A Strategy for the Science Base are "seeking to smuggle in a 1960s-type modernisation" and want to "organise the nation's science for battle with the science of other nations." But the promotion of national champions in science fails to recognise that "it is firms not nations that compete with each other."

Nobody has provided any sort of empirical justification for concentrating resources or merging facilities, he says, pointing out that there is a lot of woolly thinking about costs. "What does it mean to say costs are rising," he asks. "Is it cost per innovation? Does it mean that fixed and variable costs costs have gone up, but the value of research output has also gone up? If so, then the costs are being recouped."

In any case, he argues, if there is an accelerating growth of scientific opportunities, it is not obvious that concentration of resources is the sensible strategy. Thus, if previously there were 2,000 paths and UK research followed 200, now, with 10,000 paths, it may not be possible to follow 1,000. "It would seem perverse, though, to cut the number of paths to 100 in response to the increased diversity."

Dr Donald Braben, head of venture research at BP, is an equally passionate advocate of diversity. "Current proposals for rationalisation will have a corrosive effect, and may inflict lasting damage," he warns. "The more you concentrate, focus and select," he says, "the less flexibility you have and the more you're playing the game by unfair international rules."

Britain, he says, is choosing to specialise in exactly the same fields of research as everybody else. But this is a recipe for failure. The UK's investment in, say, biotechnology, is likely to be a factor of 20 less than that of the US. "It is like an arm-wrestler challenging a sumo wrestler. We may be naturally creative, but to rely on us being 20 times as ingenious as the Americans is a bit silly."

Dr Braben advocates a quite different approach. Instead of trying so hard to achieve "world class" standards in fields in which all countries are already competing, the UK should do more to encourage genuinely original research. The trouble for the Government is that central committees, financial memoranda, and "purposeful" direction of large tightly-managed teams are unlikely to create an environment in which genuine creativity can flower.

Dr Braben's venture research unit at BP backs fundamental scientific research. But he does not worry about exploitability *per se*; in fact he distrusts scientists who waffle on about likely industrial applications. The lesson of history, he says, is that good science always has industrial applications, but you cannot predict when or how.

The first question he asks scientists seeking BP support is: "If you faced no constraints and complete freedom, what would you be doing that you are not doing now?" He then encourages them to follow their instincts. A bigger contrast with current government policy would be hard to imagine.

Sir David Phillips at the Advisory Board rejects the charge that Britain is adopting a 1960s "national champions" approach to science. Selectivity and tighter management, on the contrary, represent an overdue response to the problems posed by past policies, which wrongly let "a thousand flowers bloom."

But even he appears to have some qualms about the present drive to rationalise. While supporting the general principle of specialisation, he admits to "hesitations" about the closure of small departments planned by the UGC. He points out, somewhat ruefully, that he was trained in Wales in a small department with five lecturers and one professor – in other words in a department roughly a quarter the new minimum size.

Nobody is suggesting that all science can be small-scale and curiosity-driven. The question is whether the pendulum is now in danger of swinging too far in the opposite direction. In her Royal Society speech, Mrs Thatcher said the value of Michael Faraday's work today must be higher than the capitalisation of all the shares on the Stock Market. But was it the result of a technocratic strategy for the science base?

OBSERVER

Helicopters and eggs

■ The similarities between the eggs crisis and the Westland affair two years ago are much greater than has been commonly acknowledged.

For a start, both began as relatively minor matters which were generally expected to blow over. Yet both were still prominent in the headlines several weeks and – in the case of Westland – several months later.

Then again there was the timing. Both incidents started in the run-up to Christmas. This is a very dangerous period in politics. The Government tends to relax, Ministers prepare to go out of London and there is a feeling that anything being reported by the media is essentially frivolous and will have disappeared by the new year.

The biggest similarity of all, however, is the breakdown between government departments. The Westland affair was not about a particularly important issue. It was not even really about whether the Government should go for a European or an American helicopter, since there were European elements in both options. It was about a clash between departments – Trade and Industry, and Defence. And there was a clash between personalities: Leon Brittan at the DTI and Michael Heseltine, the Defence Secretary.

The affair became out of hand because there was no one around to take control or to mediate between them. The Prime Minister did not believe that such an apparently small matter could become so serious. Lord Whitelaw, who was deputy Prime Minister at the time, thinks that it could have all been sorted out if it had not been the holiday period and the characters involved, including himself, had been in London.

The eggs crisis has also been a clash between departments – Health and Agriculture. Possibly it would have been defused if John MacGregor, the Agriculture Minister, had not been in Montreal for the Gatt meeting when it broke out. But the rest of the elements are the same. The official warning that has appeared in the newspapers about egg consumption looks like a compromise between providing reassurance to the egg producers and advice to consumers not to eat their products. As in the Westland affair, there has been no evidence of any firm hand at the top.

True, only one minister has so far resigned and the departure of Edwina Currie is not on the same level as that of a Heseltine or a Brittan. But she was a very bright minister, entitled to some support. And the same lessons stand out. Co-ordination between British government departments is not always very good and there is a shadowy area of government where hardly anyone can be quite sure what is going on. What, for example, is the precise role of the Chief Medical Officer? And why did the Ministry of Agriculture not give earlier warnings about the prevalence of salmonella?

Even when Whitelaw was deputy Prime Minister, the machinery of government could break down. Now there is no deputy Prime Minister to repair the rifts. As for eggs seeming trivial, it should have been plain from the beginning that they are far more important to the general populace than the choice of a helicopter. That is why the story goes on running, and why the Government comes out so badly.

"Being made into pelts is one thing – it's being firebombed I dread."

Paris figures

■ The Organisation for Economic Co-operation and Development in Paris is everything you would expect an international bureaucracy to be. It is quiet, self-effacing and therefore to connoisseurs of the nuance, rather than the scandal, extremely interesting.

The OECD has also developed a considerable talent for getting up the nose of another bureaucracy that nowadays is neither self-effacing nor quiet: namely the British Treasury.

The Treasury is very upset that the OECD, in its latest half yearly Economic Outlook report, has forecast a further worsening in Britain's current account balance of payments deficit. The OECD sees the deficit increasing from £13bn this year to £14.6bn next year and £16.3bn in 1990.

Chancellor Nigel Lawson is on record forecasting a drop in the current deficit to £11bn next year and still less in 1990.

The OECD was taking an even gloomier view of Britain's current account prospects until the Treasury heavy mob arrived in Paris recently to persuade officials that their forecasts could be wrong. After some arm twisting, the OECD scaled back its original current account deficit forecast for 1989 from around £15.7bn. The first Paris guesstimate made even the traditionally gloomy National Institute of Economic and Social Research look a mite optimistic: last month it projected a £15.2bn current account deficit for next year.

Burns of QPR

■ The London Business School has named two new Fellows in what looks like becoming an annual ceremony since the school was given its Royal Charter in 1986. The distinction is reserved for people with present or past associations with the LBS, either as students or staff.

Honoured this year are Iain Vallance, the chairman of British Telecom, and Sir Terence Burns, the chief economic adviser to the Treasury and head of the Government Economic Service.

Vallance is an LBS graduate. Burns was one of the original staff when the school was founded in 1965 and went on to become Director of its Centre for Economic Forecasting. He must also be one of the longest-serving non-career civil servants under the present Government, having gone to the Treasury in 1980 and remained remarkably non-controversial, at least in public.

One of Burns's favourite pastimes is watching Queen's Park Rangers play football. He specialises in putting football results into a computer and producing all sorts of complicated analyses, like minutes spent on the ball and ground covered by player per goal. So far, however, this research remains unpublished.

Bad soup joke

■ "You've got your finger in my soup," said the man faced with a bad lunch. "Don't worry, love," said the waitress. "It's not very hot."

New influence on Sweden's industrial politics: Kjell-Olof Feldt, finance minister

50 years of the Swedish model

Robert Taylor analyses the employer-union agreement that brought Sweden industrial peace

Sweden is this week celebrating the 50th anniversary of the collective agreement between capital and labour that, many claim, paved the way for the country's impressive prosperity since the 1930s. Now, 50 years later, the collaboration begun by that agreement has crumbled – but the problems that brought it into being are no less relevant today.

The agreement was signed in December 1938 in the small seaside resort of Saltsjöbaden, half an hour from Stockholm, by the leaders of SAF, Sweden's employers organisation, and those of LO, the blue-collar union organisation. Its immediate objective was to remove the threat of government action against wildcat strikes. But it went wider than that: "It was really a statement of intent of Sweden's dedication to industrial consensus," says Mr Rudolf Meidner, now 75 years old, one of the architects of the Swedish model and the LO's most influential economist during most of the post-war period.

From being a country that was a byword for industrial conflict, Sweden became a haven of labour peace. Further LO-SAF agreements followed between 1942 and 1954, covering such areas as industrial safety, training, works councils, work study and the role of women. The most dramatic manifestation of the Saltsjöbaden spirit came in 1956 with the establishment of centralised collective bargaining between LO and SAF.

To some on the left the system seemed little more than class collaboration with the employers; to economic liberals it was the unacceptable face of corporatism. But as Meidner recalls: "We were very much influenced after the war by the writings of Beveridge and Keynes. Our approach was as economists dealing with a practical problem: whether full employment in a democratic society is compatible with a stable currency and a system of wage development that results from negotiations between organisations free from state control." With less than 1.5 per cent unemployment today and union membership of nearly 90 per cent of the workforce, Sweden is still wrestling with those familiar difficulties.

Saltsjöbaden did not question explicitly the right of employers to manage their own enterprises. But the agreement allowed the LO to develop a sophisticated philosophy of trade unionism: an idealistic commitment to the maintenance of full employment, an egalitarian wages policy, government action against excessive company profits and a dirigiste labour market strategy of redeployment and retraining to ease the pain of structural change.

Many would argue that the unions' aim of greater equality of incomes between workers doing the same kind of work for different employers, irrespective of the companies' financial performance, contained the seeds of its own destruction. It encouraged "wage drift," the tendency of profitable employers with labour supply problems to pay their workers above the agreed centrally negotiated rate.

None the less, between 1956 and 1983, the year that centralised national bargaining came to an end, the gap between workers' earnings narrowed considerably – testimony to the impact of an incomes policy that incorporated a powerful sense of social justice. The approach also liberated workers from fear of co-operating with technological change. The LO welcomed managerial innovation in industry.

Yet the country's employers also gained substantially. They were virtually guaranteed continuity of production and their profitability was high in what are now fondly called the "golden years" from 1956 to the late 1960s. "We believe in solutions based on free will," declares Olof Lunngren, the present head of SAF, who also looks back at that period with some admiration.

But long before the early 1980s, the Swedish model ran out of steam. Shopfloor discontent grew in the late 1960s, epitomised by the three-month unofficial strike of Kiruna iron workers in 1969. As a result of the revolt from below, the LO leadership reassessed its commitment to Saltsjöbaden voluntarism. During the early 1970s, it demanded national legislation on a wide range of industrial relations issues.

Between 1970 and 1978 new laws gave unions and workers legal rights on such matters as educational and annual leave, industrial democracy, child care, female equality and the working environment. However, it was the LO's controversial plan of wage earner funds, devised by Mr Meidner in 1975, that really fractured the SAF-LO consensus. The plan sought to give unions an eventual dominating control over Swedish industry through collective share ownership. SAF literally took to the streets in a militant – and ultimately successful – counter-offensive. The wage earner funds scheme that eventually reached the statute book in 1983 was a pale version of the original.

In fact, it is doubtful whether Saltsjöbaden in its original form could have continued through the 1980s anyway; the Swedish economy was entering its most difficult period since the 1930s. The dramatic growth in the unionised public services sector and the emergence of a powerful white-collar trade union movement had undermined the symmetrical simplicity of the LO-SAF system. The rapidly increasing public service workers sought to keep abreast of the private sector through a series of pay leap-frogs. In Lunngren's view, this made the system far too expensive for Swedish industry.

The formal break in the centralised system did not occur until 1983, when the metalworkers' union agreed a separate wage deal with the engineering employers' federation. The wage-determination system fragmented: in 1987 61 per cent of the pay of manual workers and 66 per cent of that of white-collar workers was derived from local deals and individual wage bonuses.

Today at the headquarters of LO and SAF there is still a detectable yearning for the revival of centralisation. Mr Stig Malm, the LO leader, favours 2-3 year collective agreements, to begin in 1990; Mr Lunngren would like to see looser central deals with scope for local improvements. However, the dominating influence in Sweden's industrial politics is no longer the LO. It is the Ministry of Finance, under Mr Kjell-Olof Feldt, which emphasises the creation of a social market economy that rewards individual merit and initiative. Mr Feldt wants to moderate wage expectations through a trade-off between tax cuts and modest pay deals.

Observing bleakly from the sidelines Mr Meidner argues: "The only way to deal with our economic problems of inflation, high labour costs, and lower competitiveness is to return to central bargaining. Certainly we cannot resort to a further devaluation as we did in 1982. We need stability in the system for the alternative is chaos in the labour market."

Yet Sweden today is very different from the country it was when Saltsjöbaden was signed. It has much less social discipline, acceptance of hierarchy by workers or faith in the merits of the Lutheran work ethic. Nils Elvander from Uppsala University – author of a recent study of the Swedish model – points out that, during the 1980s, Sweden has experienced a dramatic growth in worker profit-sharing, productivity deals and share loans to workers. These have increased individual shopfloor affluence by linking the efforts of workers to the health of the company they work for.

But it would be wrong to dismiss Saltsjöbaden as little more than an historical curiosity. It was imbued with an optimistic spirit of co-operation. To Mr Meidner the values it encapsulates are uniquely Swedish. He wonders whether Social Democracy is not in danger of losing its essential purpose. "You must have a vision, a 'temporary utopia,'" he argues. "We should not be content merely to administer the system but should strive for a humane, fair and democratic society." And Mr Elvander argues that Saltsjöbaden had "a symbolic importance that has not been lost. People will go back to something like it one day."

EC Merger Control

A proposal that gives Brussels too much power

By Thomas Sharpe

There is an unfortunate, if understandable, tendency for opinion on the EC merger regulation to polarise between those who regard themselves as *communautaires* and those who take pride in being "Little Englanders".

For the former, tough powers over future concentration in the EC is the *sine qua non* of any serious EC competition policy. For the latter, the regulation is yet another regulatory burden imposed by European bureaucrats out of touch with market realities. But the issue is not whether the EC should have any provision regarding merger control. It is whether the best, most sensitive and efficient means lies in vesting exclusive powers with the EC Commission.

In principle, the arguments for and against merger control in the EC are the same as in any member state. Too great a degree of concentration may lead to inefficiency, less consumer choice, higher prices and a concentration of mistakes greater in impact than if the mistakes are spread among a number of enterprises, some of which at least could learn from the experiences of others.

On the other hand, if mergers are strictly controlled, and no efficient means exist for getting rid of entrenched management, new management will not have the opportunity to take over the assets and manage them more efficiently. To the extent, therefore, that the benefits of a takeover exceed any competitive detriment, any official control will serve to deny or reduce such benefits to the Community as a whole, and to the shareholders in particular.

The costs of getting it wrong, either by too lax a policy or too strict a policy, are likely to be considerable, especially in the UK where a takeover bid is the conventional means of transferring not merely ownership of an enterprise but of replacing its management as well.

The practical solution is to identify the mergers in which the divergence between the shareholders' interests and the public interest are greatest. These will usually be mergers between actual or potential competitors, which should be subject to detailed scrutiny.

There are strong objections to the principle and the details, so far as they have emerged, of the draft EC regulation which call for its reconsideration. The draft requires notification of all concentrations with a "Community dimension" defined in terms of a combination of worldwide, Community and national turnover. The Commission has one month to determine whether the merger is within the scope of the regulation and a further two months to permit the merger, or five months to prevent it or authorise it on an exemption basis.

If the language of the draft of July 25 1988 survives, the EC Commission is charged with determining whether the concentration is " . . . compatible with the Common Market," that is, whether it is not liable to damage effective competition by creating or strengthening a dominant position in the Common Market or a substantial part of it.

This is essentially a prohibition coupled with a licensing provision for certain types of merger. It invests the EC Commission with near absolute power of determining the jurisdiction of the regulation and of its application. The Court of Justice retains formal power of review but as a practical proposition, save in the case of the most extreme irregularity, the Court has demonstrated its unwillingness to second-guess the EC Commission in its assessment of a situation.

It should therefore be understood that this measure will significantly increase the powers and authority of the EC Commission. The question then becomes one of whether this is necessary or desirable.

The regulation will supplant the operation of Articles 85 and 86 in relation to certain types of concentration, although some uncertainty remains regarding joint ventures or the situations revealed in the Philip Morris and Irish Distillers cases which may be outside the scope of the regulation.

If the regulation is adopted, companies and their advisers will of necessity have to disclose their plans to the EC Commission and subject themselves to the procedures adopted by it. These procedures, even if conducted expeditiously, have been the subject of constant complaint, especially from the English and Scottish bars, because they appear to offer so few guarantees of fairness and openness, save the inherent fairness and decency of the officials involved, to those affected. The inbuilt conflict between investigator and judge (especially since the Court of Justice has placed so few limitations on the EC Commission) is such that the process of investigation is imperfect.

It would also be naïve to regard the EC Commission's activities as being conducted in a political vacuum: the EC Commission is a highly political institution and a premium is and will be placed upon well-connected lobbyists and influence-peddlers in furtherance of a particular cause. Moreover, as a practical matter, the EC Commission is woefully ill-equipped to deal with its current responsibilities. It remains to be seen whether the ambitious timetables proposed in the draft within which clearance or detailed scrutiny must take place can be observed.

The exclusive jurisdiction which the EC Commission claims is also in contrast to its established position that EC law should be enforced by national courts. The regulation will centralise authority in respect of one type of ill-defined activity and take jurisdiction away from the national courts. The recent attempt by Plessey to deploy EC competition law in the national court, in defence of a hostile takeover bid, is an unequivocally welcome indication that such complex matters can be considered expeditiously in the context of procedural guarantees of fairness and openness.

In short, the regulation is an old-fashioned bureaucratic response to a limited problem. On principle, and as a practical matter, it is inappropriate to invest the EC Commission with even further powers. Satisfactory procedures are evolving in the member states and these should be encouraged rather than frustrated.

The author is a barrister based in London

LETTERS

Customers want modern services now

From Sir William Barlow.

Sir, Last week you reported and commented on the Government's recent report on the communications infrastructure. Hugo Dixon suggests (December 14) that I support a national fibre optic "grid". That implies a completely new *additional* network.

In my Mountbatten Lecture on November 2, I advocated making a start urgently on the gradual replacement of the existing copper cable telephone distribution network by fibre optic cables. I expressed the view that the technology and the costing now make it feasible to start transformation on a piecemeal basis.

Britain is in a strong position to take a lead. We have ample supplies of optical fibre at world prices; capacity to manufacture the cables; and electronic component capability which only needs volume orders to get going. In addition we have British Telecom (BT), Mercury and other companies which can make investment decisions and execute them without the shackles of Treasury control.

I have never asked for Government subsidy for this. What I have pleaded for is that Government should set the framework for development through an enlightened regulatory regime which will encourage the interested companies to go ahead now rather than later.

Changeover to fibre optic technology for telecommunications distribution in the local networks is now feasible. My point is that Britain could gain a world lead if we act now rather than much later.

When fibre optic connections are available, the customers could receive better voice communications and a range of wide-band services which cannot be delivered through the existing copper cables. Wide-band services could include data transmission with colour, picture phone and television services.

The Government's recent DTI MacDonald Report appears to encourage Cable TV and satellite televison operators to provide telecommunications services in addition to television, while denying BT the right to transmit televison signals even as a common carrier. That is not free competition, and represents undue interference with market forces.

The customers want modern services now. BT would probably go ahead sooner and quicker if it felt it could add some extra return by carrying television signals on its new lines in addition to its voice traffic.

When I was chairman of the Post Office, I put it to the Conservative Government during its first month of office in 1979, that the telecommunications monopoly be removed, and full liberalisation adopted. In the summer of 1979 the Government accepted this principle.

But since then there has been a reluctance to go the whole hog, which reluctance has resulted in too much protection for BT on some services, and, on the other hand, unreasonable restraints on them and others. The MacDonald Report is likely to perpetuate this.

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Arbitration law reflects what its users want

From Mr Julian D.M. Lew.

Sir, Dr F.A. Mann ("New dangers of arbitration in Switzerland," November 24) ignores the reality of modern international commercial arbitration. Today, more than ever, arbitration is fashioned by the international business community rather than national legal systems.

Traditionally, arbitration existed by courtesy of national law alone. It was supervised by national courts, which would intervene and interfere whenever a justifiable reason could be found, and arbitrators were inclined to mirror national court procedures so as to avoid the possibility of their awards being set aside for errors of law or fact, misconduct or due process.

In England and France in the 1970s, and Switzerland in the 1980s, the judges ignored the will or the parties to claim jurisdiction for themselves. England and France changed their law in 1979 and 1981 respectively. The new Swiss law is intended to limit the possibilities of the Swiss courts reviewing the decisions of arbitrators. Time alone will tell how the Swiss judges will apply the new law.

National laws relating to arbitration have changed to reflect the desires and intentions of the users of arbitration, who are its paymasters. Dr Mann's criticisms, though directed at Swiss law and the protagonists of the *lex mercatoria*, fail to appreciate that arbitral practice and the changes in national law are what the users want.

The international business community submits its disputes to arbitration in preference to national courts because of its confidence in the expertise and common sense of international arbitrators. National judges do not know "better" what the business community needs. Business men are essentially pragmatic and practical; they are content with arbitrators applying flexible arbitration rules and relying on commercial custom, trade usages and general principles of law and the *lex mercatoria*. If they worked, there would be no international commercial arbitrations. This attitude is reflected in the provisions of the Uncitral Model Law on international commercial arbitration, already adopted in several countries.

The proof of the pudding is in the eating. Arbitration users do not wish too much (or any) court intervention or supervision, and consider that arbitrators should have maximum flexibility as to the procedure and substantive law to be applied.

Those who, like Dr Mann, do not like contemporary arbitral practice can revert to or stay with national courts. International arbitration remains voluntary; its very flexibility, in form and procedure, is its main asset. If courts are allowed to interfere with the judgment of arbitrators, or to limit their application of trans-national legal concepts, arbitration will cease to be the dispute settlement mechanism preferred for international transactions.

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Gorbachev's support base

From Mr Z.A.B. Zeman.

Sir, Mr Edward Mortimer is uncertain as to how we can best help Mr Gorbachev in his tight spot (December 13). Opinion-makers in the West can perhaps help him by discarding certain ingrained assumptions about Eastern Europe.

Mr Mortimer refers to the almost complete lack of support for Mr Gorbachev's policies; and to its underlying social causes. But perceptive observers have noted Mr Gorbachev's fascination with the intelligentsia, especially with the creative and scientific intelligentsia.

In sociological jargon, they are men and women with some form of tertiary education: according to the latest Soviet census (1979) there are some 26.4m of them. Some are party members, and many work for the party or state bureaucracies. But most of them do not. Mr Gorbachev is more than fascinated: he depends on their support, and he has set out to mobilise it. The intelligentsia is an important constituency: Mr Gorbachev's own, and essential for his survival.

It is therefore ironic that the people who now constitute the leadership of the national movements in the Baltic and in central Asia are members of this intelligentsia. The Soviet federation – however imperfect, and however misused by Stalin – at least created a framework in which educated "nations" emerged where none existed before.

Mr Mortimer, together with the nationalists in the Soviet Union, tends to forget this. Remarks on the "sullen egalitarianism" of Russians trip easily off the pen. It may equally be argued that other nations, in Eastern Europe and outside it, can be just as sullen or egalitarian – or egalitarian without being sullen.

In any case, the swift rise of the educated class in Eastern Europe in the 20th century contradicts such a view. Mr Gorbachev's central problem is the same as it has been since he came to power. It is how best to mobilise the talent and skills existing in his country.

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FINANCIAL TIMES
Wednesday December 21 1988

Vickers wins crucial backing in battle for tank deal

By David White and Lynton McLain in London

THE BRITISH Government is to back the development of the Vickers Challenger 2 tank, putting the UK company in prime position to clinch a contract for the Army worth well over £1bn ($1.8bn), against strong US competition.

But Mr George Younger, the Defence Secretary, said it could opt for another tank if Vickers failed to meet strict targets during a 21-month demonstration phase. The Ministry of Defence would keep in touch with the other competitors, General Dynamics, which is proposing the M1A2 Abrams; and Krauss-Maffei, makers of the West German Leopard 2.

Under a contract worth about £90m, the Government will fund development up to the end of September 1990, setting strict performance and cost criteria. "Milestones" have been set to monitor progress in the interim.

The Government was funding the entire project "because we wish to keep control of it," Mr Younger said. He told the House of Commons yesterday of the decision, which was made on Monday by a Cabinet committee chaired by Mrs Margaret Thatcher, the Prime Minister.

The initial contract was an opportunity for Vickers to demonstrate that it was able to deliver the Challenger 2 "to specification, to time and to cost," he said. But all three of the contenders had the potential to meet the Army's needs.

Sir David Plastow, chairman and chief executive of Vickers, said the go-ahead for the new version of the Challenger main battle tank was the "largest army decision that had ever been taken." But the company had judged the risk involved in developing Challenger 2 as "absolutely minimal".

He criticised the Ministry of Defence for the time it had taken to make its choice of tank. Vickers submitted its bid in March last year.

"The delay has damaged Vickers in overseas markets; that is our only complaint, but the decision on Challenger 2 reopens the opportunities for British tank exports. The market is estimated to be worth £12bn over the next 10 years and we shall now go out and win a share of that market for Britain", Sir David said.

Mr Younger said the Government expected to support Vickers "to the hilt" in pressing for overseas customers.

Vickers is to make nine prototype Challenger 2 tanks by the end of the initial phase. "A version of the Abrams will be available earlier," Mr Younger confirmed at a press conference. "But if Challenger 2 Mark 2 is up to standard, it will be in excess of the standard currently reached by the Abrams."

A competitive demonstration against the US and West German tanks was "a possibility" if the Challenger 2 failed to come up to scratch, he said.

Mr Younger also announced a decision to equip the Army's current Challenger 1 tanks with a new gun developed by British Aerospace's Royal Ordnance subsidiary. The value of this retrofit contract is put at £104m.

Army kept waiting for its Christmas gift, Page 7; Lex, 20; Editorial comment, Page 18

Premadasa promises to eradicate fear

By David Housego in Colombo

MR Ranasinghe Premadasa, Sri Lanka's newly elected President, yesterday appealed for national reconciliation to end the recent violence and bitterness in the country.

Making his first statement after his victory in Monday's presidential election, he offered a dialogue to the extremist People's Liberation Front (JVP) and called on them to return to the mainstream of political life by taking part in the forthcoming parliamentary elections.

Should they refuse, he made clear that he would intensify the campaign against terrorism. "The politics of terror has no place in the temple of democracy," he said, adding that his government "will eradicate fear."

Mr Premadasa won the election by 280,000 votes, gaining 50.4 per cent of the vote as against 44.9 per cent won by Mrs Sirimavo Bandaranaike, the former Prime Minister and the candidate of the Sri Lanka Freedom Party (SLFP).

Mrs Bandaranaike broke with precedent by not attending the declaration of results ceremony at Colombo Town Hall where Mr Premadasa spoke, suggesting that she might contest the validity of the results.

Her party made no comment on their defeat during the day although Mr Ronnie de Mel, the former Finance Minister under President Junius Jayawardene, who has joined the SLFP, said: "We must accept the verdict."

The country was quiet yesterday, despite fears of post-electoral violence. Colombo was deserted for much of the day as people stayed away from work listening to the results and anticipating a curfew.

Jubliant supporters of Sri Lanka's new President, Ranasinghe Premadasa, dance in the streets of Colombo in front of a poster of their leader

Turnout at the election was 55.3 per cent compared with 80 per cent in many national polls in the country. But it was higher than most observers had expected. In some areas in the Tamil-speaking north and in the southern province, turnout dropped to 10-15 per cent because of the call to boycott the election by the extremist Tamil Tigers (LTTE) and the JVP.

Mr Premadasa appears to have won the election both because of his own image as a man of humble origins who projected himself as a "servant of the poor" and because of the immensely superior organisation of the ruling United National Party (UNP).

By contrast the election revealed that the opposition SLFP lacked a programme and party organisation, and in Mrs Bandaranaike had a leader who, as Prime Minister in the 1970s, was too much associated with discredited policies of the past.

Mrs Bandaranaike was defeated in areas in central Sri Lanka such as Ratnapura where she was expected to perform strongly. Before the final results had been declared, the outgoing President announced the dissolution of Parliament thus paving the way for new elections.

The Parliament was elected in 1977 and had been kept in place by Mr Jayawardene because his party had a two thirds majority in it which enabled him to change the constitution.

Doubts over European lift truck merger plan

By Nick Garnett in London

THE planned merger of two of Europe's biggest lift truck makers appears to have run into difficulties under West German competition law.

Linde, the West German company which is Western Europe's largest manufacturer of lift trucks, announced in September agreement to buy Lansing, the UK's largest fork lift manufacturer.

It is still awaiting approval for the deal from the Federal Cartel Office, which oversees mergers involving West German companies.

Both companies are due to meet Cartel Office officials in Berlin on January 13.

Linde said yesterday the meeting was part of normal German legal procedure.

Mr Hans-Georg Haeseler of Linde's legal department said it was too early to know whether there was a problem because the Cartel Office had made no formal statement of its views.

However, some managers in the European industry believe that answers to a questionnaire sent out by the Cartel Office to customers and competitors of the two companies have thrown up some worries.

One point the Cartel Office is charged with examining is whether a merger would strengthen market dominance of the companies involved.

Linde's purchase of Lansing would give it more than 40 per cent of the European Community market for standard so-called counterbalance lift trucks.

Mr Haeseler said that if there was a problem, the Cartel Office had to give Linde and Lansing every opportunity to present their case. The proposed takeover has been given the go-ahead by the Office of Fair Trading in the UK.

The Cartel Office discussions come at a time when the world's lift truck industry could be on the verge of another major bout of restructuring, similar in scope to that which changed its shape in the early and mid-1980s.

Esco, the US industrial products group, said yesterday it was putting its Hyster subsidiary, the second largest US lift truck maker with production plants at Irvine, Scotland and Craigavon, Northern Ireland, up for sale.

It might consider a joint venture or floating the business as a separate company on the US stock market, it said. Three Japanese manufacturers, Toyota, Nissan, and Mitsubishi, are believed to have already shown some interest in Hyster, which is expected to have total sales this year of more than $750m and which employs 1,000 people in the UK.

There have also been suggestions in the industry that North American Coal Corporation, which purchased the Yale lift truck business from Eaton Corporation in 1985, would also be prepared to sell its lift truck interests.

Mr Ed Ryan, senior vice president at Yale, which had sales last year of $250m, yesterday denied there was any intention to sell the company.

Shell must pay for arsenal clean-up

Nick Bunker reports on a turning point in pollution insurance

To an untutored eye, the Rocky Mountain Arsenal looks little different from countless other old military installations throughout the US. An expanse of 27 square miles of prairie grass located just outside Denver, Colorado, criss-crossed by dirt roads and rusting railroad tracks, the arsenal dates back to the feverish months after the Japanese attack on Pearl Harbour in 1941 when the US Army arrived to begin manufacturing poison gas and incendiary bombs.

Forty six years on, the arsenal has acquired notoriety as one of North America's most badly polluted industrial sites, with an estimated 16m cubic yards of soil contaminated with the by-products of manufacturing mustard gas, nerve gas and pesticides. The pesticides were made by a subsidiary of Shell Oil, which has leased land on the arsenal from 1952.

This week, as a result of a jury verdict in a court case in the California Superior Court sitting in San Mateo County, just south of San Francisco, the arsenal also achieved the status of a key turning point in a legal running battle between manufacturing industry in the US and insurers including Lloyd's of London over which of them should pay for cleaning up the nation's hazardous waste dumps.

On Monday, a jury decided that Shell, rather than 260 insurance companies and Lloyd's of London syndicates from which it had bought insurance policies since 1952, should pay for the cost of reclaiming contaminated land.

Cases such as the arsenal arise from legislation passed in the US in 1980. The key piece of legislation was the federal Comprehensive Environmental Response Compensation and Liability Act, better known as the "Superfund law."

This law, which was renewed by the US Congress in late 1986, was conceived as a far-reaching anti-pollution measure which gave the US government sweeping powers to clean up polluted sites with the aid of a $1.6bn fund provided from a tax on the petrochemical industry.

The Environmental Protection Agency, the federal agency involved, was instructed to recover the money from companies or individuals which could be considered liable for the original pollution.

It was as a result of the Superfund law that Shell and the US Army were instructed to remove contaminated waste from the arsenal. In 1982, Shell responded by sueing its insurers, led by the Travelers' Group, one of the biggest property/casualty insurers in the US, and a number of Lloyd's syndicates. Shell had ample reason for seeking the money from the insurance industry because of the sheer size of the amounts of money involved.

There is considerable uncertainty about the eventual cost to remove all the polluted material from the arsenal, with estimates varying up to $5bn depending on the clean-up methods used.

In February this year, Shell and the US Army reached a draft agreement estimating Shell's share at between $330m and $380m of a total bill of between $750m and $1bn. However, because of the complex provisions of the Superfund law, which require extensive consultation with local communities about the standards of any clean-up, the actual figure is unlikely to be determined until at least after 1993.

For the insurance industry, the decision by the San Mateo jury is important because it adds to a weight of legal opinion which runs distinctly in favour of insurance companies.

In the past two years there has been a flood of law suits filed by big manufacturing companies in the US, claiming indemnification by their insurers against the cost of toxic waste clean-ups required under the Superfund law. Among the best known of these cases have been so-called mega-suits filed by Westinghouse Electric, Allied Signal, Monsanto and United Technologies Corporation.

All of these companies are trying to argue that their insurance policies cover any costs they may be liable to pay as a result of the Superfund Law. The insurance industry, and specifically Lloyd's of London, are arguing that such clean-up costs cannot be payable by insurers because pollution was a routine, preventable part of the business practices of manufacturing companies.

In addition, according to insurance companies and Lloyd's syndicates, from 1969 onwards, they specifically excluded coverage for pollution damage from their insurance policies unless the damage was sudden or accidental.

By finding in favour of the insurers in the Rocky Mountain Arsenal case, the California jury has made it clear that in its view manufacturing companies can only pass the toxic waste clean-up bill on to insurers when they can prove that the pollution was completely unforeseen.

It has to be borne in mind that this week's decision was made only by a state court, and scarcely commands as much respect as would a decision by a federal court.

WORLD WEATHER

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	C	09	48	Dubrovnik	R	05	41	Malta	R	14	57	Rhodes	F	11	52
Algiers	C	13	55	Edinburgh	C	07	45	Manchester	C	06	43	Rio de J'o	F	37	99
Amsterdam	C	07	45	Faro	S	18	64	Manila	F	32	90	Rome	C	11	52
Athens	F	11	52	Florence	S	11	52	Melbourne	F	19	66	Salzburg	C	02	36
Bahrain	C	24	75	Frankfurt	C	04	39	Mexico City	F	22	72	San Francisco	F	12	53
Bangkok	F	33	91	Funchal	C	18	64	Miami	C	21	70	Seoul	C	05	41
Barcelona	S	14	57	Geneva	C	06	43	Milan	S	07	45	Singapore	F	31	88
Beirut	R	13	55	Gibraltar	S	19	66	Montreal	C	-3	27	Stockholm	F	-5	23
Belfast	C	09	48	Glasgow	R	06	43	Moscow	C	-3	27	Strasbourg	F	06	43
Belgrade	C	04	39	Guernsey	R	08	46	Munich	C	01	34	Sydney	C	26	79
Berlin	C	01	34	Helsinki	F	-11	12	Nairobi	C	23	73	Taipei	F	24	75
Biarritz	C	08	46	H. Kong	F	23	73	Naples	R	10	50	Tangier	S	16	61
Bombay	S	30	86	Innsbruck	Sl	02	36	Nassau	F	24	75	Tel Aviv	F	12	54
Bordeaux	C	09	48	Inverness	C	07	45	New Delhi	C	22	72	Tenerife	S	21	70
Brussels	C	07	45	Islamabad	C	17	63	New York	C	05	41	Tokyo	F	15	59
Budapest	C	03	37	Istanbul	C	08	46	Nice	S	16	61	Toronto	C	02	36
B. Aires	-	-	-	Jakarta	R	29	84	Nicosia	F	18	64	Tunis	R	12	54
Cairo	F	17	63	Jersey	C	10	50	Oporto	S	12	54	Valencia	F	17	63
Cape Town	S	24	75	Jo'burg	F	24	75	Oslo	C	-3	27	Venice	S	06	43
Caracas	F	24	75	Lima	F	24	75	Paris	F	12	54	Vienna	R	05	41
Casablanca	S	17	63	Lisbon	F	13	55	Peking	C	05	41	Warsaw	F	00	32
Chicago	C	10	50	London	F	08	46	Prague	F	-1	30	Washington	S	02	36
Cologne	C	05	41	Los Angeles	C	14	57	Reykjavik	F	04	39	Zurich	C	03	37
Copenhagen	F	05	41	Luxembourg	C	04	39								
Corfu	C	10	50	Madrid	F	12	54								
Dallas	F	16	61	Majorca	D	12	54								
Dublin	C	10	50	Malaga	S	18	64								

Readings at mid-day yesterday
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Plessey fails to get court to block bid

Continued from Page 1

that the only previous Commission ruling on hostile bids, in which a consortium was blocked in its attempt to take over Irish Distillers, has no relevance to its offer for Plessey. In the present case, it says, there are a number of other powerful companies in Europe.

In his High Court ruling yesterday, Mr Justice Morritt ruled that although Plessey had an arguable case, the joint venture offended against EC competition rules, the "balance of justice or injustice" was against granting an injunction.

Only in that way, the judge said, could he avoid in effect giving final judgment in Plessey's favour before the Commission had decided whether to give the bid clearance.

"Plessey will suffer damage from uncertainty, but the period may well be shorter if I withhold an injunction than if I grant one."

He said that as the matter was currently being examined by the Commission it was inconceivable that GEC and Siemens would proceed with their planned post-acquisition restructuring of Plessey without the Commission's blessing.

Plessey's fear that it would be "swallowed up and dismembered" was therefore unrealistic, the judge said.

Plessey failed to get either of the injunctions it sought. One was based on its claim that the bid resulted from an "unlawful marriage" between GEC and Siemens and would distort competition within the EC; the other on GEC's undertaking last year not, without government consent, to acquire more than 15 per cent of Plessey.

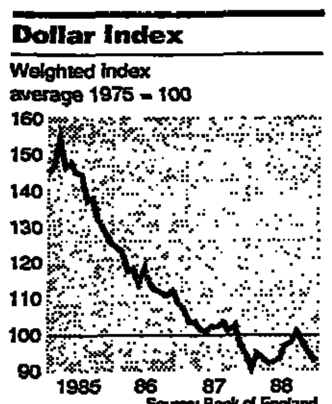
THE LEX COLUMN

A half-step back for Plessey

Plessey's pioneering attempt to use an English court to get a jump on the Eurocrats may still deserve full marks for ingenuity. But now that the High Court has declined to do the European Commission's job for it, it is difficult to see that Plessey has gained much for its pains – or indeed, that GEC and Siemens have lost much.

Though Plessey's case in the High Court certainly succeeded in causing maximum annoyance to its Anglo-German predators while it lasted, it was never likely to be the greatest of the impediments facing the bidders. GEC must still get around its awkward undertaking not to take more than 15 per cent of Plessey, and the bidders may yet have a case to answer before the domestic competition authorities – not to mention the fact that Brussels, for its part, could still throw the block which the English court yesterday declined to deliver. And it is difficult to believe that Plessey has not been using the breathing space accorded it by the court to think up other wheezes to put GEC and Siemens off, or indeed to find a third party to do the honours for it.

Yesterday's court decision to leave to Mr Leon Brittan the task of enforcing the Treaty of Rome may well put others off the idea of using the High Court as a first line of defence. But they would probably be wise to push the issue a bit further before giving up; just because the so-called "balance of convenience" went in the bidders' favour yesterday does not mean it could not tilt towards the target company another day.



Markets

It is beginning to look as if this year's holiday season is going to be a happier and calmer period in the world's financial markets than was the case last year. Wall Street is testing new high ground, the dollar is surprisingly robust and last month's post US-presidential election jitters have evaporated. The latest OECD forecasts of growth in the developed countries have been revised upwards substantially and paint a picture of a world where economic conditions are more buoyant than at any time since the early 1970s. The main worry for the moment remains containing inflationary pressures rather than averting a recession, and explains why the recent tightening of monetary policy around the world was so necessary.

Meanwhile, the equity markets are being dragged higher on the hope that interest rates may be close to peaking. Yesterday's news of continuing subdued US inflation and a slowdown in UK bank lending provide some comfort on this score and short-term UK interest rates have dipped below 13 per cent for the first time since last month's surprise rise in UK base rates. However, the continuing strength of the dollar remains something of a mystery. Admittedly, the Federal Reserve has tightened to such an extent that any rise in the US discount rate would be little more than a symbolic gesture now. Nevertheless, it probably owes its strength more to fears of a repeat of the end-1987 rout in the foreign exchange markets when concerted central bank support for the dollar cost many commercial banks several month's foreign exchange profits. Come the New Year, the current calm could quickly disappear.

Christies

The first dabblings of the new private Mr Holmes à Court in the London market bear the signature of the wealthy dilettante rather than the skilful and experienced arbitrageur. Yesterday's stake building in Christie's came just a day after the company announced an unexpectedly large rise in world sales, and at a time when the art market is showing all the signs of overheating.

However, in the stock market big names command big prices, so Mr Holmes à Court may reckon that Christie's is cheap on about 10 times next year's earnings. However, its operational gearing is so high that a small decline in business would do serious damage to its earnings and change matters altogether. In any case, Christie's is not the sort of company that lends itself to hostile takeover: it is a people business whose staff are tied to it by love and cachet rather than money, and who therefore might not take kindly to a mercenary Australian owner. As an art collector in his own right, perhaps Mr Holmes à Court is looking at the "irises" multiple, and reasons that if the whole company can be bought for the price of just 10 van Goghs, he will be easily able to find other buyers even if he does not want to have a go himself.

Unit Trusts

M&G demonstrated last week that the premier unit trust operators can weather the current industry downturn and still make handsome profits, but the latest unit trust figures can provide little comfort for the majority of the UK's 152 unit trust management groups. Strip out the funds attracted by new product launches and life funds buying their own unit trusts, and the £165m of net new investment in November all but evaporates. It is well nigh impossible to outperform when unit holders are cashing in their holdings, and groups need to be managing upwards of £300m to be able to live comfortably off their annual management charges. The industry is overdue for a shakeout.

Vickers

The 7.5p fall in Vickers shares was an odd reaction to the best news that the company has had in ages. The £1bn-plus tanks order will equip its defence operations with a future, and will also have an immediate effect on the bottom line. The £10m or so of development costs for the Challenger 2 will no longer have to be written off this year, with the result that profits should not drop after all; and by the mid 1990s, tanks could be contributing 20 per cent or so of total profits.

The reason shareholders were not more appreciative of Mr Younger's decision to buy British was only partly the anticlimax that goes with any well-leaked news. The real problem is that the order does even more for Vickers' defences than for its performance. While the Government might like Sir Ron Brierley well enough to give him a knighthood when he limits himself to an Ultramar or an Equity & Law, should he try anything with a major UK defence contractor the response could be rather more chilly.

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FINANCIAL TIMES
COMPANIES & MARKETS
Wednesday December 21 1988

INSIDE

Caught on the hop Down Under

British Petroleum likes to advertise itself worldwide as being "On the Move". In Australia last week its men were on the hop. The timing of the announcement that BP was considering selling its minerals division to RTZ was one cause of embarrassment. BP Australia, heavily involved in mineral resources, had just finished taking a group of British journalists round its operations. It described itself as the worldwide group's "Third Leg" — its most important investment outside Britain and the US. It declared itself ready for expansion — yet here was London raising the spectre of amputation. Page 27

Wakey Wakey in Vienna

The long dormant Vienna bourse has lurched out of bed this year. A resurgence of interest from abroad, the partial privatisation of the huge electricity industry and a less conservative approach to risk have combined to push share prices and turnover up by 18 per cent so far. Traders hope the computerisation of the bourse and a set of listings next year will shake off the slumbers for good. Page 46

Opening up over the croissants

Times are changing fast in French business. So fast that even the venerable house of Lazard Freres felt the need yesterday to shed its legendary discretion and host for the first time in its 112-year-old history a breakfast for financial journalists to explain its investment banking philosophy and approach. Paul Betts reports. Page 28

And this little piggy was a good little piggy

Encouraged by higher prices, UK pig producers are beginning to rebuild the herds they cut earlier this year, when prices were low. In this notoriously cyclical market, however, they are under no illusions about the inevitability of extra production bringing another price fall in due course. Then many will reduce pig numbers once more while they wait for the next upswing to get under way. Page 42

Textron joins battle for Avdel

Textron, the large Rhode Island-based conglomerate, has finally decided to go ahead with a £125m bid for Avdel, the UK fasteners group. Textron's belated intervention throws up the prospect of one of the most intriguing bid finales seen for some time. On one side stands Banner Industries, another US-based group where Wall Street financier, Mr Jeffrey Steiner, moved in three years ago. On the other stands Textron. Nikki Tait looks at the combatants. Page 30

Generali boosts Midi stake

Assicurazioni Generali, the leading Italian insurance group, is to boost its direct holding in Compagnie du Midi, the diversified French insurance and financial concern, from 13 per cent to 15.5 per cent. Generali remains interested in what Mr Enrico Randone, the chairman, described yesterday as "a collaborative venture with Midi." Page 22

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Chief price changes yesterday

FRANKFURT (DM)

Rises			
Dresdner Bank	315	+	7.5
Linde	766	+	17.5
R.W.E. Ord	236.5	+	5.3
Siemens	537	+	11.4
Bayer	308	+	5.2
Falls			
Thyssen	193.1	−	2.9

NEW YORK ($)

Rises			
Amer Express	27 1/2	+	1/8
GE	46 1/8	+	1/8
IBM	123 3/4	+	1
Pennzoil	106 1/8	+	1 3/8
Falls			
First Fid Bncp	26	−	1 7/8
Texaco	52	−	1/8

New York prices at 12.30pm

PARIS (FFr)

Rises			
O.F.P. Dc.	15	+	2.3
Galeries Lafay.	1225	+	74
Credit Nat.	988	+	52
Falls			
Elf Aquit. Cert	332.7	−	23.5
Avions Dassault	640	−	35
Essilor ADP	1700	−	48

TOKYO (Yen)

Rises			
Tonami Trans.	915	+	100
Sagami Rubber	1790	+	190
Nitton Valve	981	+	100
Falls			
Taka-Q	2700	−	250
Saicai Textile	715	−	55
Rikel	1780	−	120

LONDON (Pence)

Rises			
Calor Group	399	+	7
Christies Intl.	645	+	37
Coats Viyella	141	+	6
Enterprise Oil	468	+	8
Glaxo	210 3/8	+	3/16
GUS A	941	+	11
ICI	993	+	8
LASMO	472	+	10
Low (William)	698	+	17
RMC	491	+	11
Rank Org.	714	+	11
Reuters "B"	503	+	10
Smith (W.H.) A	217	+	5
WPP	551	+	9
Wellcome	410	+	6
Yale & Valor	323	+	10
Yorkshire T.V.	222	+	8
Falls			
Brit. Land	325	−	7
Grand Met.	424	−	6
Peninsular Props.	109	−	10
Rosehaugh	499	−	6
Sema Group	285	−	13
VG Instruments	258	−	10
Vickers	157	−	7 1/2

Pillsbury profits tumble in second quarter

By James Buchan in New York

PILLSBURY, the Minneapolis food and restaurant group which this week agreed to sell its business to Grand Metropolitan of the UK, reported sluggish sales and earnings in its second quarter to November. The dim performance emphasises the challenge GrandMet faces to justify the $5.75bn it will pay for the business.

The three-month result, which showed after-tax profits of just $44.8m on sales of $1.75bn, are distorted by the $13.2m Pillsbury had to pay out to Wall Street in a fruitless, two-and-a-half-month effort to resist GrandMet. Pillsbury also diverted $14.4m after tax to bolster advertising at its troubled Burger King fast-food chain.

But the operating results show that there is no growth in volume in Pillsbury's flour and packaged food business while Burger King, number two to market leader McDonald's, continues to lose sales.

Pillsbury said yesterday that earnings for the quarter were 38 per cent down on last year's November quarter at $44.8m or 52 cents a share, on a 3 per cent rise in sales to $1.75bn.

The main cause of the decline was the $21.5m before tax that Pillsbury paid to Wall Street investment bankers and lawyers to devise a defence against GrandMet's original $60-a-share offer. Pillsbury hired four of the costliest investment firms in New York who sought first to find an alternative buyer to GrandMet and then to devise a recapitalisation. Though the firms were unsuccessful, GrandMet raised its offer to $66 a share.

The company also expects "significant additional expenses and contingent fees" in the second half of the year.

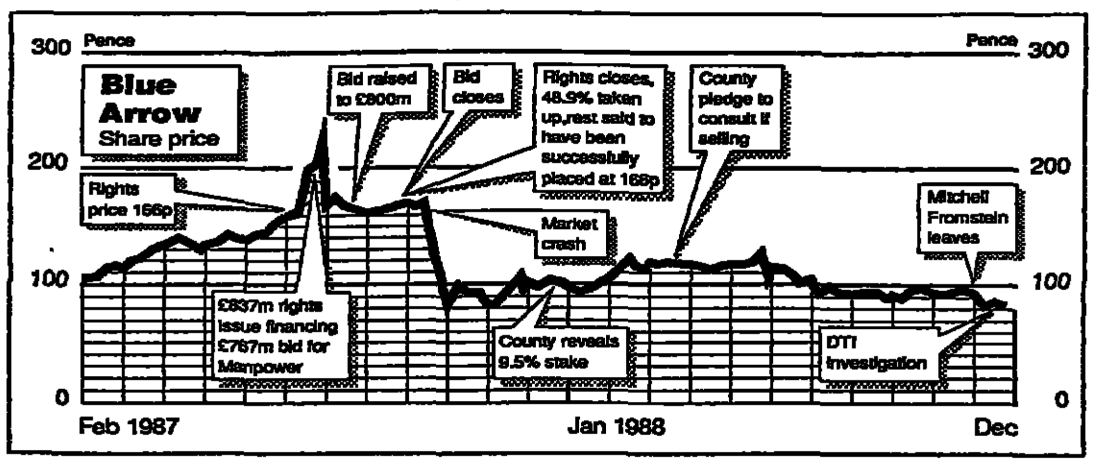
Pillsbury charged $23.4m, or $14.4m after tax, to replenish Burger King's advertising fund in a bid to stop the erosion in sales. Sales per restaurant fell 3 per cent at both Burger King and a smaller chain, Steak and Ale. Overall restaurant sales fell 7 per cent to $611m, with half of the decline attributable to the sale of the Godfather's Pizza chain.

Restaurant operating profits collapsed from $47.6m to $4.2m after the advertising charge.

At the flour, baking mix and packaged food business in Minneapolis, results were much better, with operating profits up 16 per cent to $132.8m on a 10 per cent rise in sales to $1.13bn.

At the six-month stage, net income fell from $129.3m

Charles Villiers



Jonathan Cohen

Arrow to the heart of City conduct

Clive Wolman looks at the implications of the DTI's investigation into County NatWest

The British Government's investigation into County NatWest, the investment banking subsidiary of National Westminster, has highlighted the uncertain legal norms and codes of conduct among City securities houses in the post-Big Bang world.

The investigation has been set up under a section of the Companies Act reserved for cases of more serious suspected offences where, in the words of the Act, there are circumstances suggesting that a company's affairs have been conducted "for a fraudulent or unlawful purpose".

The focus of the investigation is into whether County NatWest broke the law by keeping secret its 9.5 per cent stake in Blue Arrow, the manpower services company which was a County client. The stake was acquired as a result of a partial flop of a £837m ($1.5bn) rights issue in September 1987.

The fact that the investigation was only launched on Monday after a 15-month delay has given rise to speculation that the Department of Trade and Industry has just recently uncovered more serious evidence. However the explanation is probably more prosaic.

The Bank of England, because of its regulatory responsibility, was originally informed about the taking of the stake in September 1987 and questioned its legality. County NatWest directors said that the bank's solicitors had sanctioned its methods.

However, towards the end of the year, after County disclosed the stake and announced that it had suffered a £50m loss on its market value as a result of the stock market crash, the NatWest parent set up an internal inquiry led by its deputy chairman Sir Philip Wilkinson. At that stage, the concern of the Bank of England was primarily with the soundness of the internal controls at County rather than the wider issues of legality.

The DTI decided to delay launching its own inquiry, despite suggestions from the Stock Exchange that it should do so, until the completion of the Wilkinson report in May. There then followed several months of further questioning by the DTI of the bank and another period of consideration before the search for suitable inspectors began a few weeks ago.

The most serious issue raised by the investigation is whether County NatWest, together with Phillips and Drew, which was acting as Blue Arrow's stockbrokers, misled investors by failing to disclose County's stake. The point was that the rights were taken up by only 49 per cent of Blue Arrow's holders and the remaining shares worth £435m had to be placed with mainly institutional investors. Phillips and Drew specifically announced that the all remaining shares had been placed successfully.

County directors have acknowledged that the purpose of concealing the stake was to avoid a failed placing which could have led to a slump in the Blue Arrow share price.

Such a move today might be caught by the wide-ranging provisions against stock market manipulation under the Financial Services Act which came into force only in April 1988. This makes a criminal offence any statement which is known to be misleading or which "dishonestly conceals any material facts." Some lawyers believe that such an offence was already covered in 1987 by the common law offence of conspiracy to defraud through market manipulation.

County sought to sidestep the Companies Act disclosure requirements by siphoning off 4.6 per cent of the stake into its market-making arm and claiming that this was granted a statutory exemption from disclosure. The remaining 4.9 per cent stake was below the 5 per cent disclosure threshold.

Such an exemption is however only available to market-makers for the purposes of their market-making business. Several elements in the decision to place the 4.6 per cent stake with the market-makers however cast doubt on whether the exemption applied:

- The head of the market-making operation Mr Brian Winterflood was not informed, although he was away from the office at the time, and the head of the securities division, Mr Philip Rimell has claimed that he never willingly agreed to such a move. But Mr Jonathan Cohen, joint chief executive at the time, has claimed that the deal was freely negotiated between the market-making and corporate finance arms of the bank.
- The head of the seven-person compliance team Ms Elizabeth Nicholson was not informed of the manoeuvre, although the director to whom she reported, Ms Elizabeth Brimelow, was.
- The stake was not placed in the market-makers' normal "back-book" which is used for large stakes. Instead it was placed in a special account so that any losses or profits on it would not affect the profitability of the market-making arm for management accounting purposes, on which executives' pay bonuses were partially based.

Tough job for Manpower chief, Page 22

The great cultural devide grows wider and wider

By David Lascelles, Banking Editor in London

NEWS OF the investigation into County NatWest is certain to widen the considerable gulf which already exists between the NatWest group's traditional clearing banking side and its troublesome investment banking offshoot. The timing is also highly unfortunate because of the depressed state of the City markets, and the likelihood that County will lose large amounts of money again this year.

From its formation before the Big Bang three years ago, County NatWest has evolved from being a mystery to a downright embarrassment to the majority of NatWest's 90,000 employees.

Senior branch managers were reassured by NatWest strategists at the time of Big Bang that the risks of diversification into investment banking had been fully assessed. Even so, it was evident back then that clearing bankers out in the high streets were never convinced of the need for the group to take this costly step, even if they understood the rationale for it, which many did not.

The gulf widened with disclosure of the high costs and salaries that were being incurred by County. And though a number of working links have been institutionalised between the clearing bank and its new subsidiary, the cultural divide remains very marked with traditional bankers on one side, and the wheeler dealing, merchant banking set on the other. The superior air of the County people has caused widespread irritation inside NatWest, even at senior levels.

The news of County's enormous £116m loss last year, caused largely by the failure of the Blue Arrow rights issue, was a major shock which added to the growing exasperation of the rest of the group. It was particularly painful since the traditional banking side was raking in record profits of over £1bn. However the subsequent resignation of Mr Charles Villiers, County's chairman and Mr Jonathan Cohen, its chief executive provided some satisfaction; one executive spoke at the time of "a leveling process" being at work.

That was not the end of the story. County has now triggered the first official inquiry into a clearing bank in recent memory, raising profound questions not only about the bank's ability to manage its affairs but also to correct its failings. There is an implication in the DTI's decision that further questions need to be answered, in addition to the internal investigation into the Blue Arrow affair that was carried out by County's new chairman, Sir Philip Wilkinson.

Both Mr Tom Frost, NatWest's chief executive, and Mr Terry Green, the new chief executive of County, are determined to press on with the development of County, believing that it remains a key building block in the group's plans to be a force in the global banking business. County recently bought a French stockbroker in order to extend its presence on the Continent.

But County is still far from pulling its weight inside NatWest. It lost £10m in the first half of this year. Since then, conditions have worsened markedly, as indicated by the recent withdrawal of several institutions from the securities business, including Morgan Grenfell. County's exposure to Blue Arrow is such that its 10 per cent stake declines in value by £670,000 for every 1p fall in the share price. Since mid-year, the Blue Arrow price has dropped 25p.

Stockbrokers Hoare Govett are now forecasting that County will lose £70m this year, bringing the total losses in its brief existence to £224m. But once again, according to Hoare's analysts, the UK clearing bank side will make that good with earnings of about £1bn.

Suter considers proposal for management leveraged buy-out

By Ray Bashford in London

SUTER, the industrial holding company headed by Mr David Abell, is considering a proposal from management for a buy-out. The move follows a decision by Thomson T-line to drop its takeover bid for the company.

The board is understood to be considering several alternative schemes for the leveraged buy-out and a statement could be made by the end of this week.

The buy-out team is believed to be headed by Mr Bob Morris and Mr Tony Owen who considered such a move before Thomson T-Line announced its takeover offer early last month. At least one other shareholder in Suter is believed to be close to the negotiations.

Mr Morris and Mr Owen were to join the board of Thomson T-line under the proposal outlined at the time of the agreed bid for Suter.

Suter shares fell a further 3p to 189p yesterday following the announcement that Thomson T-Line was withdrawing its bid, which valued the company at £223m ($405.9m).

Mr Abell, who has been the architect of Suter's growth, is expected to play no part in the management buy-out. Last July the Department of Trade and Industry announced investigations into trading in the shares of two companies associated with Suter.

The Thomson T-Line board said on Monday evening that it was withdrawing the offer to allow the board to concentrate on fighting a hostile bid from Ladbroke, which has its sights set on its Vernons pools subsidiary.

The previous Suter management buy-out scheme is understood to have run into difficuties over funding for the offer. However, since then the company has disposed of its holding in Avdel, the UK fasteners group, for £24.5m. Several other share holdings could also be disposed.

Sale of ICI-Wellcome venture

By Peter Marsh in London

IMPERIAL Chemical Industries, Britain's biggest chemical company, and Wellcome, the UK pharmaceutical group, yesterday agreed to sell their jointly-owned animal health subsidiary to Pitman-Moore of the US for an undisclosed sum.

Chicago-based Pitman-Moore, the animal-health subsidiary of International Mineral and Chemical, said it hoped the acquisition of Coopers Animal Health, which last year had sales of $360m, would give the company "critical mass" and lead it into new product areas and sales regions.

Under the deal, Pitman-Moore's total sales in animal-health products – which include veterinary medicines, nutritional additives and special feed products for animals such as cows and pigs – will more than double. The US group last year had sales of $244m.

The purchase is likely to give Pitman-Moore, which in March bought the animal-health interests of Glaxo, the UK drugs company, extra presence in the world market for animal-health products of about $11bn annually.

This market – which is generally reckoned to be emerging from a difficult period as a result of poor conditions for farming in many parts of the developed world – is dominated by a number of big companies mainly from the chemical and pharmaceutical industries.

Leading players include Merck, Pfizer and Eli Lilly of the US, France's Rhône-Poulenc and Bayer of West Germany.

Coopers, which last year had an operating profit of $16m, is a result of a merger in 1984 between the animal-products divisions of the two UK companies.

The divestment is likely to be regarded as a sign from both ICI and Wellcome that they wish to concentrate on their broader business activities of bulk and specialist chemicals and human-healthcare products respectively.

ICI said yesterday that it had decided to get out of animal healthcare because the company felt it could not devote sufficient resources to this part of the company's business.

In particular, the costs of developing new products have been rising rapidly as a result of tougher competition from new and existing products and tighter environmental safeguards concerning artificial additives given to animals in their food.

The animal-products market has, for instance, been hit by public concern about the wider implications of feeding animals with antibiotics to make them grow faster. Such additives have been linked to health problems affecting humans.

The shareholding in Coopers varies between the countries in which it operates, with Wellcome having a 51 per cent stake in Britain, the nation which provides the biggest portion of the joint venture's sales.

Nissan to establish Amsterdam sales HQ

By Kevin Done, Motor Industry Correspondent

NISSAN, Japan's second largest automotive group, is to establish a European sales office in Amsterdam to co-ordinate its sales, service and marketing activities in West Europe.

Nissan is the leading Japanese manufacturer in the European car market with a share of around 3 per cent, and has led the Japanese motor industry's drive into Europe with the establishment of a car assembly plant in the UK and commercial vehicle assembly operations in Spain.

Nissan said yesterday that Nissan Europe would be established in Amsterdam in April next year and would begin actual operations a year later.

Nissan Europe would integrate sales, service and marketing operations, manage production orders, logistics and financial and currency matters and oversee public relations, external and government affairs and legal matters.

So far Nissan only has outright control of its importer/distributor companies in West Germany, the Netherlands, Switzerland and Italy, however, and it became clear yesterday that the biggest Nissan importer in Europe, Nissan UK, is keen to guard its traditional independence.

Nissan UK is privately owned and controlled by Mr Octav Botnar. The company said yesterday, "we have exclusive rights for selling and marketing Nissan vehicles in the UK and we are not involved in these plans. The whole marketing is our own business."

"It does not concern us. They cannot do anything in the UK, we have an agreement. It does not concern us what Nissan's plan is for the rest of Europe."

Nissan Motor has earlier held talks with Nissan UK in an effort to take over its highly profitable UK distributor, but Nissan UK insisted yesterday that no more discussions were taking place and that the idea had been dropped.

The problem of co-ordinating Nissan UK in its European plans could prove a serious embarrassment for Nissan.

Generali lifts stake in French insurer

By Alan Friedman in Trieste

ASSICURAZIONI Generali, the leading Italian insurance group, is to boost its direct holding in Compagnie du Midi, the diversified French insurance and financial concern, from 13 to 15.5 per cent by acquiring a block of shares held by Mediobanca, the Milan merchant bank.

Mr Enrico Randone, chairman of Generali, said in Trieste yesterday that he has agreed to pay around L250bn ($191m) to Mediobanca, which is an ally of Generali, for the 2.5 per cent stake.

The purchase is to be executed at the year-end, he said. Mr Randone explained that Lazard Frères, another Generali ally, owns an additional 1.14 per cent of Midi.

Generali's latest purchase of Midi shares, which amounts to a reshuffling of holdings among friends, brings the Italian insurer's expenditure on Midi up to a grand total of L1,250bn, Mr Randone said.

Generali remains interested in what the chairman yesterday termed "a collaborative venture with Midi" and has been authorised by French authorities to raise its stake up to 20 per cent before next July, after which it could proceed to as much as 33 per cent in theory.

Midi, Mr Randone said, "is an interesting conglomerate which includes insurance, but the Midi insurance activities are in the domestic French market and we feel that we could offer Midi an international flavour."

The Generali chairman said that the row between Mr Bernard Pagezy, Midi chairman, and Mr Claude Bebear, chairman of the Axa group that owns 28.6 per cent of Midi, means that "the situation has now stalled and we will wait to see how matters proceed."

Mr Randone said further purchases by Generali of Midi equity would depend on the Pagezy-Bebear dispute and on the costs associated with the Italian company boosting its Midi stake.

Meanwhile, in Milan, it was announced that Generali is to acquire a 2.5 per cent share stake in Gemina, the investment company that has Fiat as its biggest single shareholder. Generali, which is paying L51.4bn for the Gemina stake, is acquiring the shares from SMI, the metals company controlled by the Orlando family

It was also announced yesterday that Mr Cesare Romiti, the Fiat group managing director, is to step down from his post as chairman of Gemina.

ITT buys 2.8% of CGE

By Paul Betts in Paris

ITT, the US conglomerate, has acquired a 2.8 per cent stake in Compagnie Générale d'Electricité (CGE), the French privatised telecommunications and heavy engineering group.

The US group acquired its stake as a result of the reshuffling last week of the holdings of Société Générale de Belgique, the Belgian conglomerate, in Alcatel, the telecommunications group formed by the merger of CGE's and ITT's telecommunications assets two years ago.

La Générale, now controlled by the French privatised Suez financial group, last week sold its 5.2 per cent stake in Alcatel to CGE and ITT. In turn, La Générale increased its stake in CGE to 4.2 per cent.

To complete the complex transaction, the US conglomerate has now shed the additional 843,000 shares in Alcatel it acquired from La Générale in return for a 2.8 per cent direct stake in CGE.

As a result, CGE has increased its overall control in Alcatel to 61.5 per cent with ITT retaining a 37 per cent stake. CGE has also reinforced its core shareholding structure with the 2.8 per cent ITT stake and the increased La Générale holding.

Like other French privatised companies, CGE has been seeking to reinforce its core shareholding structure to protect the group from possible hostile advances. Friendly shareholders are now understood to control about 36 per cent of the French company's capital.

Barclays to sell 20% Nigerian bank stake

BARCLAYS, the UK banking group, is to sell its 20 per cent stake in UNION BANK OF NIGERIA through an offer for sale to the Nigerian public expected early next year, writes Our Financial Staff.

Barclays said the sale was in line with its strategy of reviewing and, where appropriate, reducing minority investments in the retail banking sector outside Britain. Barclays said Union Bank was a major force in Nigerian banking with assets of more than Naira 6bn ($1.13bn).

STATOIL, the Norwegian state oil company, has abandoned talks with RWE, West Germany's largest electricity utility, to share in a new marketing and refining company to be formed out of RWE's own operations and those of Deutsche Texaco, writes Karen Fossli in Oslo.

RWE acquired Deutsche Texaco for $1.22bn in June. Statoil was considering taking up to 49 per cent in the new company, but found the rate of return on its investment would not be sufficient.

Turnover at LANDIS & GYR, the Swiss electrical engineering company, rose 26 per cent over the past business year to a record SFr2bn, while new-order value went up 30 per cent to SFr2.12bn, writes John Wicks in Zurich.

This marked increase was due primarily to the integration of the new subsidiaries, Landis & Gyr Powers in the US and Lake Electronics in Ireland. However, overall earnings fell back by 3 per cent to SFr64.5m, owing to lower investment income, higher taxes, and a relatively higher profits share for minority shareholders.

HUMANA, the US hospital management group, yesterday reported increased net earnings in the first quarter ended November 30 of $54.6m or 55 cents a share, against $50.1m or 51 cents. The 1987 quarter includes an extraordinary loss of $16.1m on the early extinguishment of debt, offset by a gain of $16.2m from an accounting change. Revenues were $938.5m against $793.6m.

Tough job for Manpower chief

Roderick Oram and David Waller on Blue Arrow and its US unit

Mitch, Mitch, Mitch is the constant refrain from franchisees of Manpower whose driving force, Mr Mitchell Fromstein, had made them wealthy men in the world of temporary employment agencies.

Bitch, bitch, bitch is about all Blue Arrow has heard from most of them since it ousted Mr Fromstein two weeks ago. Fifteen months after taking over Manpower for $1.2bn, Mr Antony Berry, chairman of the UK group, was trying to exert control over it.

Blue Arrow wants to reap more from its acquisition through closer links between its own brands of employment service and Manpower. It says Mr Fromstein had thwarted it by adamantly keeping Manpower separate.

Sorting out the relationship is vital to Blue Arrow since it derives some 35 per cent of its profits from the US, almost entirely from Manpower. The franchisees play a key role, contributing some 60 per cent of Manpower's $1.5bn in annual revenues.

So far Manpower's business appears unaffected by the tension between it and Blue Arrow. "There's no evidence one way or another that its lost its oomph," said Mr Jon Rowberry, chief financial officer of Adia, a Swiss-owned agency chain based in California.

"Manpower has had an outstanding year with substantial growth in sales and profits," said Mr William Markey who took over as chief executive from Mr Fromstein. The rate of growth slowed markedly in the second half from the first, though, in line with the industry. The industry was growing now at about 9-10 per cent a year compared with 18-20 per cent 12 months ago.

Despite slower growth, he sees "no evidence" that Manpower's performance will stop improving. Analysts and competitors are more cautious about the industry, though, because it tracks the economy closely. With some people expecting a recession within the next year, Mr Markey will have to work quickly to establish his and Blue Arrow's credibility at Manpower.

He began by meeting its head office staff in Milwaukee and a group of some 100 managers from around its branch network. "The response was very positive," he said. "Their loyalty appears to be to the Manpower brand since many of them worked for it before Mr Fromstein" joined the group in the mid-1970s.

He also met the Association of Manpower Franchisees to lay out plans for "enhancing the value of the franchise." He found his third constituency less receptive, feeling it was swayed by a "small group who were very emotional about the issue of Mitchell – I can understand that."

The association later passed a vote of no confidence in the new management of Manpower and Blue Arrow and said it would seek a way to oust Mr Berry and split the two companies, though not necessarily with Mr Fromstein returning.

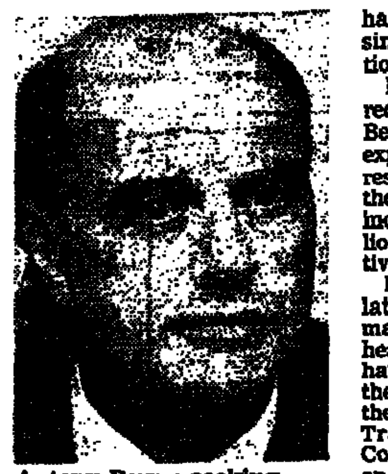
Since the meeting last week, the association has had a "favourable response" from several Blue Arrow shareholders it has contacted, said Mr Marvin Goodman, owner of 26 Manpower offices in Canada and spokesman for its the franchisee association.

The group plans to meet again in the New Year to formulate plans. "We want a surgical instrument to separate us," said Mr Goodman, arguing that the two companies were so dissimilar they should never have been joined. Manpower, for example, has built its reputation on temporary employment while Blue Arrow has a background in permanent placement.

Trying to launch some sort of a buyout would be a long shot, he said, so the group was seeking other ways to put pressure on Blue Arrow. He admitted, though, the franchisees' scope for action is limited by the terms of their contract.

They can walk away from Manpower but could not legally compete against it for two years. They could pay their franchise fees into escrow account and take Blue Arrow to court but it would be a long and costly legal fight. Analysts said, however, that the franchisees would be hard pressed at this point to make the case that Blue Arrow had damaged their businees.

Still, "we have a history of achieving things for the franchisees," Mr Goodman added. The association renegotiated more favourable contract terms, for example, back in the



Antony Berry: seeking closer links

early 1970s when Manpower was struggling before Mr Fromstein's arrival. "He brought the industry and the company into the 20th century and multiplied the value of our franchises."

Mr Markey believes he can do the same for them again. "I think we can do well with them if we can get the dialogue going." He is promising to: "enhance" Manpower's name through more aggressive marketing; keep it a separate brand name; keep other Blue Arrow brands out of franchisees territory; allow it sole use of some proprietary product such as skill testing; and expand new businesses such as training programmes.

Above all it will offer franchisees "at no cost" the tools to get into permanent placement in parts of North America where it looks promising but "We won't thrust it on them."

Before he can do any of that he will have to soothe a lot of distraught people. Mr Goodman said the news of Mr Fromstein's resignation "came completely out of the blue and almost killed me. The car phone rang and this strange rich voice said: 'This is John Sharkey, vice chairman of Blue Arrow. I just called to tell you Mitchell Fromstein has resigned.' I almost hit a truck."

The effect on Blue Arrow's institutional shareholders in the UK was not so dramatic: Mr Fromstein's departure, followed by the franchisee's rebellion, seemed no more than the latest in a long line of public relations catastrophes that have afflicted the company since the Manpower acquisition.

Large shareholders have received two letters from Mr Berry, giving a brief word of explanation for Mr Fromstein's resignation and explaining that the proportion of Blue Arrow income coming from the rebellious franchisee holders is relatively small.

He promised to be in touch later; meanwhile the great mass of shareholders have heard absolutely nothing and have been obliged to watch their shares sink still lower in the wake of the Department of Trade investigation into County NatWest, announced on Monday.

The industrial logic of the £760m takeover of Manpower last summer has rarely been questioned. However the repercussions of the disastrous £837m rights issue – only 48.9 per cent taken up by existing shareholders – to fund it seem likely to beset the company for some time.

Amid a tide of adverse sentiment, it is inevitable that difficult questions will be asked: is the board – capable indeed of growing profits from £400,000 in 1984 to an estimated £80m for 1988 – really strong enough to manage the largest employment agency in the world? Should Mr Berry not resign?

Institutional shareholders appear – for the moment at least – prepared to back him. As one observed: "It is not his fault that his company held a rights issue at the top of the bull market, that the crash followed so soon afterwards, that his merchant bank mismanaged the underwriting process and is now being investigated by the DTI. Those of us who were with him in the early days have still made money."

Others who landed with the shares last summer have seen them slump by more than 50 per cent against the market. The share price performance reflects the "overhang" of 9.4 per cent of the shares in the hands of County, rather than crisis in the industry at large. Recent reports from companies such as Reed Executive, Hestair and Select Appointments are mixed: Reed paints a picture of doom and gloom in the UK market, whereas Select has enjoyed record trading profits in both the UK and the US.

Morgan Stanley M&A

$156 Billion in 1988

MERGERS & ACQUISITIONS
CONSUMER PRODUCTS
$[illegible] BILLION
1988
MORGAN STANLEY

Kohlberg Kravis Roberts & Co.
pending acquisition of
RJR Nabisco, Inc.
$24,655,000,000

Grand Metropolitan PLC
offer to purchase
The Pillsbury Company
$5,234,000,000

The Gillette Company
successful proxy contest
$4,900,000,000

Holly Farms Corporation
pending acquisition by
ConAgra, Inc.
$1,231,630,000

American Brands, Inc.
acquired
E-II Holdings Inc.
$1,128,000,000

The Gillette Company
stock repurchase program
$703,953,000

Lamb-Weston Inc.
(subsidiary of Amfac, Inc.)
acquired by
ConAgra, Inc. and Golden Valley Microwave Foods, Inc.
$276,000,000

Brown-Forman Corporation
stock repurchase program
$196,000,000

The Andrew Jergens Company
(subsidiary of American Brands, Inc.)
acquired by
Kao Corp.
Price not disclosed

E-II Holdings Inc.
(subsidiary of American Brands, Inc.)
acquired by
McGregor Acquisition Corp.
(subsidiary of Riklis Family Corporation)
Price not disclosed

Humpty Dumpty Foods Limited
(subsidiary of American Brands, Inc.)
acquired by
Borden, Inc.
Price not disclosed

Investcorp
acquisition of a 47.5% interest in
Guccio Gucci S.p.A.
Price not disclosed

Sanraku, Inc.
acquired
Markham Vineyards
Price not disclosed

Sunshine Biscuits, Inc.
(subsidiary of American Brands, Inc.)
acquired by
G.F. Industries, Inc.
Price not disclosed

Taylor Food Products
(subsidiary of American Brands, Inc.)
acquired by
Cadbury Schweppes Inc.
Price not disclosed

"21" Brands, Distillerie Riunite di Liquori S.p.A. and Mt. Gay Distilleries Ltd. of McKesson Corporation
pending acquisition by
Remy & Associes S.A.
Price not disclosed

Wabe Finanziaria S.r.l.
(subsidiary of Joh. A. Benckiser GmbH)
acquisition of a 54% interest in
Mira Lanza S.p.A.
(subsidiary of Pafinvest S.p.A., a member of Gruppo Ferruzzi)
Price not disclosed

MERGERS & ACQUISITIONS
FINANCIAL SERVICES
$12.2 BILLION
1988
MORGAN STANLEY

Farmers Group Inc.
pending acquisition by
Batus Inc.
(subsidiary of B.A.T. Industries p.l.c.)
$5,250,000,000

Commercial Credit Group, Inc.
pending acquisition of
Primerica Corporation
$1,735,000,000

The Bank of New York Company, Inc.
acquired
Irving Bank Corporation
$1,530,000,000

The Marine Corporation
acquired by
Banc One Corporation
$546,000,000

Allied Bancshares, Inc.
acquired by
First Interstate Bancorp
$373,500,000

Bank of Ireland
pending acquisition of
First NH Banks, Inc.
$370,000,000

Fireman's Fund Corp.
acquisition of a minority interest by
IFINT S.A.
$300,000,000

The Royal Bank of Canada
acquired 75% of
Dominion Securities Limited
$296,000,000

The Penn Central Corporation
pending acquisition of
Republic American Corporation
$249,000,000

Integrity Life Insurance Company and National Integrity Life Insurance Company
(subsidiaries of The Equitable Life Assurance Society of the United States)
acquired by
National Mutual Life Association of Australasia Ltd.
$160,000,000

American Credit Indemnity Co.
(subsidiary of Commercial Credit Company)
acquired by
Dun & Bradstreet Corporation
$140,000,000

The Mortgage Insurance Subsidiaries of Foremost Corp. of America
acquired by
General Electric Mortgage Capital Corporation
$89,000,000

The Mortgage Division of Investors Savings Bank
acquired by
Rochester Community Savings Bank
$85,000,000

DS Bancor, Inc.
pending acquisition by
Great Country Bank
$76,960,000

National Bank of Canada
acquisition of a 73% interest in
Lévesque, Beaubien and Company Inc.
$75,500,000

The Dime Savings Bank of New York
pending acquisition of
Starpointe Savings Bank
$63,000,000

La Baloise
pending acquisition of
Providence Washington
Insurance Group
Price not disclosed

BankAmerica Investment Management Corporation and BankAmerica Investment Management International Ltd.
(subsidiaries of BankAmerica)
acquired by
Monarch Capital Corporation
Price not disclosed

The Commercial Lending Division of BankAmerica Commercial Corp.
(subsidiary of BankAmerica)
acquired by
Congress Financial Corporation
(subsidiary of CoreStates Financial)
Price not disclosed

The Term Lending Division of BankAmerica Commercial Corp.
(subsidiary of BankAmerica)
acquired by
Pacificorp Business Credit, Inc.
Price not disclosed

Crédit Lyonnais
joint venture with
GATX Leasing Corp.
(subsidiary of GATX Corp.)
Price not disclosed

Execution Services Incorporated
(subsidiary of Morgan Stanley Group Inc.)
acquired by
IBJ Schroder Bank & Trust Company
Price not disclosed

Duff & Phelps Inc.
(subsidiary of Duff Research, Inc.)
pending acquisition by
RFS Chicago Holdings, Inc.
(controlled by Freeman Spogli & Co. and Management)
Price not disclosed

The Fixed Asset Lending Division of Westinghouse Credit Corporation
acquired by
US WEST Financial Services, Inc.
Price not disclosed

MERGERS & ACQUISITIONS
TECHNOLOGY
$5.8 BILLION
1988
MORGAN STANLEY

Centel Corporation
successful proxy contest
$2,800,000,000

BellSouth Corporation
pending acquisition of
The Cellular and Paging Businesses of Mobile Communications Corporation of America
$710,000,000

Alitalia-Linee Aeree Italiane S.p.A.
British Airways Plc
KLM Royal Dutch Airlines
Swissair Swiss Air Transport Company Ltd.
and
USAIR Group Inc.
acquisition of a 49.9% interest in
Covia Partnership
(of United Air Lines, Inc.)
$500,000,000

AT&T
minority investment in
Sun Microsystems, Inc.
$300,000,000

The Systems Development and Software Products Divisions of AGS Computers, Inc.
acquired by
NYNEX Corporation
$283,000,000

Emhart Corporation
acquired
Advanced Technology Inc.
$140,000,000

Arrow Electronics Inc.
acquired
The Electronics Distribution Business of Ducommun Incorporated
$134,000,000

Imo Delaval Inc.
acquired
Varo, Inc.
$118,900,000

Silicon Graphics, Inc.
acquisition of a 20% interest by
Control Data Corporation
$68,900,000

The Specialty Metals Division of Varian Associates, Inc.
acquired by
Tosoh Corporation
$33,000,000

Heath Tecna Aerospace of Criton Technologies
(controlled by The Dyson-Kissner-Moran Corporation)
acquired by
CIBA-GEIGY Corporation
Price not disclosed

Two Units of Eaton Corporation
acquired by
Contel Corporation
Price not disclosed

MIPS Computer Systems, Inc.
acquisition of a minority interest by
Digital Equipment Corporation
Price not disclosed

Thomson-CSF
acquired
Wilcox Electric, Inc.
(subsidiary of Northrop Corporation)
Price not disclosed

MERGERS & ACQUISITIONS
HEALTH CARE
$11.5 BILLION
1988
MORGAN STANLEY

Sterling Drug Inc.
acquired by
Eastman Kodak Company
$5,267,825,000

Hospital Corporation of America
pending acquisition by
Investor Group led by Management
$3,600,000,000

Charter Medical Corporation
acquired by
Investor Group
$1,168,000,000

Cooper Technicon Inc.
(subsidiary of The Cooper Companies, Inc.)
pending acquisition by
Bayer U.S.A. Inc.
$500,000,000

The Ophthalmic Surgical Products Business of The Cooper Companies, Inc.
pending acquisition by
Alcon Laboratories, Inc.
(subsidiary of Nestle S.A.)
$325,000,000

Foster Medical Corporation
(subsidiary of Avon Products, Inc.)
acquired by
VenTech Healthcare Corporation, Inc.
$165,000,000

The BOC Group, Inc.
(subsidiary of The BOC Group plc)
acquired
Spectramed, Inc.
$101,000,000

The Contact Lens Solutions and Aquaflex Businesses of The Cooper Companies, Inc.
acquired by
Schering-Plough Corporation
$75,000,000

Cavitron Ultrasonic Products Division of Cooper LaserSonics, Inc.
acquired by
Pfizer, Inc.
$41,700,000

Northfield Laboratories, Inc.
acquisition of a 17.6% interest by
IC Industries, Inc.
$30,000,000

Boots Hospital Products Limited
(subsidiary of The Boots Company PLC)
acquired by
The Kendall Company (U.K.) Limited
(subsidiary of Colgate-Palmolive Company)
Price not disclosed

The Surgical Laser Division of Cooper LaserSonics, Inc.
acquired by
Heraeus Holding GmbH
Price not disclosed

MERGERS & ACQUISITIONS
ENERGY & NATURAL RESOURCES
$34.1 BILLION
1988
MORGAN STANLEY

Texaco Inc.
successful proxy contest
$14,572,000,000

The Tenneco Oil Exploration and Production Division of Tenneco Inc.
pending acquisition in separate transactions by
Various U.S. and International Energy Companies
$6,400,000,000

Dome Petroleum Ltd.
acquired by
Amoco Corporation
$4,180,000,000

Texaco Inc.
settlement with Pennzoil Corporation
$3,000,000,000

Tenneco Inc.
stock repurchase program
$1,047,000,000

Moore McCormack Resources, Inc.
acquired by
Southdown, Inc.
$519,000,000

Pacific Enterprises
acquired
Sabine Corporation
$339,000,000

Wisconsin Electric Power Company
acquired
Certain assets related to
The Presque Isle Power Plant of Upper Peninsula Generating Company
$247,500,000

The Southern Company
acquired
Savannah Electric & Power Company
$241,500,000

Alberta Energy Company Ltd.
acquisition of the remaining 45% interest in
Chieftain Development Co. Ltd.
$188,600,000

Moore McCormack Energy Inc.
(subsidiary of Southdown, Inc.)
acquired by
Canadian Occidental Petroleum Corporation
$148,000,000

Wessely Energy Company
(subsidiary of TransCanada PipeLines Limited)
pending acquisition by
NGC Energy Company
$125,000,000

Columbia LNG Corp.
(subsidiary of The Columbia Gas System, Inc.)
pending acquisition of a 50% interest by
Shell Oil Company
$110,000,000

The Newhall Land & Farming Company
pending acquisition of
Newhall Resources
$30,680,000

CMS Generation Co.
(subsidiary of CMS Energy Corporation)
acquired a 50% interest in
The Oxford Energy Company
$27,500,000

Arkansas Western Gas Company
(subsidiary of Southwestern Energy Company)
acquired
Associated Natural Gas Company
(subsidiary of Arkansas Power and Light Company)
$27,100,000

The Eastern and Gulf Coast Refining and Marketing Assets of Texaco Inc.
joint venture with
Aramco Services Company
(on behalf of The Saudi Arab Government)
Price not disclosed

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هكذا من الأجل

INTERNATIONAL COMPANIES AND FINANCE

TNT enters battle for Poseidon

By Chris Sherwell

POSEIDON, the cash-rich Australian mining company under offer from Normandy Resources, became the target of a takeover battle yesterday when TNT, the large transport group, launched a counter-bid.

TNT said it would bid A$2.45 a share for Poseidon, valuing the group at A$377m ($322m). Last month Normandy offered A$2.25 for every two Poseidon shares plus a redeemable exchangeable preference share at A$2.75, valuing Poseidon at an estimated A$320m.

Normandy is controlled by the entrepreneur Mr Robert Champion de Crespigny and is Poseidon's largest shareholder, with a stake of 20.6 per cent. Analysts say Poseidon currently has cash resources of A$166m and a string of investments giving it an asset backing of around A$3.00 per share.

Earlier this year Poseidon sold off its main asset, an interest in Kalgoorlie Lake View, to Mr Alan Bond. In August it gained control of Anglo American Pacific, a subsidiary of the South African mining giant which was in turn left with 11 per cent of Poseidon.

Mr Champion de Crespigny apparently wants to strengthen his grip on the company at a time when he believes it is undervalued. TNT, which is thought to have been behind a flurry of Poseidon share purchases earlier this month, is presumably hoping to extract from him a higher offer which will give it a profit.

On the stock exchange yesterday Poseidon shares quickly rose to A$2.45.

BP digs for a new identity in Oz

Chris Sherwell on the UK group's Australian minerals operation

Confirmation that BP was considering selling its minerals division to RTZ came as BP Australia finished taking a select group of British journalists around its operations across the vast continent.

The visitors were told of great ambitions in oil and gas, in coal, and especially in minerals. Yet here was the most impressive of its interests – in the gigantic Olympic Dam copper, uranium, gold and silver mine beneath the arid heart of South Australia – suddenly being placed unceremoniously on the block.

Though minerals is just one of BP's businesses Down Under, it was actually destined for expansion, not sale.

Moreover, BP Australia, with A$3bn ($2.56bn) of capital employed, was being described as the worldwide group's "Third Leg" – its most important investment outside Britain and the US. Yet here was London raising the spectre of amputation.

In fact the sale of BP's minerals division, if it goes ahead, is likely to affect other parts of the BP empire far more than the one in Australia. Apart from Olympic Dam, BP's only other major mineral interest regionally is in a gold deposit on Lihir Island in Papua New Guinea, controlled through Kennecott of the US.

That said, an RTZ purchase would nevertheless leave Shell, of the oil majors, with the strongest presence in Australia, both in scale and diversity. BP would slip back to join Exxon as the next most important, followed by Mobil and Caltex.

Its pattern of spending would also be expected to change, and probably the amounts too. Over the past five years BP Australia has spent more than A$2bn on various investments while disposing of or writing down unwanted assets to the tune of A$400m. It was expecting to spend another A$2bn over the next three to five years.

What would not change is BP's desire to establish a stronger identity for itself in Australia. Currently the group is best known among the Australian public for its network of distinctive green-and-gold petrol stations – 1,367 of them – dotted all round the vast continent.

These outlets have given it a strong 22 per cent market share, a level exceeded only by Shell with 26 per cent, and it is going for more. Together, oil refining and marketing make the biggest contribution to BP Australia's profits – which in the first six months of 1988 alone were a handsome A$75m after tax and extraordinaries. But they hardly reflect the widening spread of its interests – hence the identity problem.

Upstream, in petroleum exploration and production, the group is a major participant, along with five other joint venturers, in the A$12bn North-West Shelf natural gas project, one of the world's largest-ever resource developments.

Beyond its Olympic Dam mining operation, which is so big it will last more than 100 years, the group also produces close to 6m tonnes of coal – for years the country's largest export earner, only recently overtaken by wool. It owns mines at Tahmoor, which produces coking coal, Howick, which produces both steaming and coking coal, and has a 50 per cent share of the Clarence steaming coal mine. All are in New South Wales.

These various activities are all expected to improve BP Australia's earnings over coming years, but they underscore the question mark over the group's identity because BP is not happy simply to invest with others as a participant in major projects, chipping in its expertise and funds and reaping sales revenues and profit shares.

As a resources company, it sees itself as a hands-on operator – and in neither the North West Shelf nor Olympic Dam, its two biggest commitments by far, is it in pole position.

The North-West Shelf, in which it has a one-sixth stake, is operated by Woodside Petroleum, whose principal shareholders are Shell and Australia's Broken Hill Proprietary (BHP), which also have direct one-sixth stakes in the project. Olympic Dam, in which it has 49 per cent, is operated by Australia's Western Mining Corporation.

In other offshore petroleum activities, BP is the actual operator at only one undeveloped site, in the Timor Sea, where it has a 50 per cent stake. Otherwise it is a participant with Woodside in other North West Shelf operations and with BHP in the Arafura Sea.

In Papua New Guinea – a country widely regarded as the world's last great unproven oil prospect – the story is similar. It has an operator's role at two sites in the Highlands, and has found gas suitable to power the Porgera gold mine development, but at nearby Iagifu, the most interesting find, it is involved with a collection of companies and Chevron of the US is the operator.

Only in coal is BP Australia a current operator of real significance – and here it could hardly have chosen a more difficult industry to be involved in. The group is currently suffering a damaging five-week-old strike at its Howick mine. More generally the strength of the Australian dollar against the US currency has hurt export revenues.

Last week's RTZ announcement has now begged more questions than it answers. Previously, BP Australia was saying that, by 1993, minerals, coal and gas were expected to contribute some 60 per cent of BP Australia's profits, while oil's share would halve to around 40 per cent without earning any less in absolute terms.

Now, if it sells Olympic Dam and stays out of minerals, that projection will alter radically, and BP Australia's identity will be nothing like the one envisaged by those currently running it. The future will be no less challenging, but the company will remain heavily oriented about its traditional business.

CRA, the Australian mining concern which is 49 per cent owned by RTZ, has effectively lifted its stake in Australia's Argyle diamond mine, the world's biggest, to 57.8 per cent from 56.8 per cent.

It has bought 19.9 per cent of Western Australian Diamond Trust which owns 5 per cent of the Argyle mine, Agencies report.

INTERNATIONAL CAPITAL MARKETS

Lazard sticks to non-aggression

At last the Holy Trinity reveals its philosophy, writes Paul Betts

Times are changing fast in French business. So fast that even the venerable house of Lazard Frères felt the need yesterday to shed its legendary discretion and host for the first time in its 112-year history a breakfast for financial journalists to explain its investment banking philosophy and approach.

Mr Michel David-Weill, the senior partner of the French firm which, together with its London and New York associates, forms a unique Holy Trinity in the world of investment banking, was surrounded by his French partners in the comfortable dining room of Lazard's headquarters in the Boulevard Haussmann in the eighth *arrondissement*.

He had nothing earth-shattering to say, but the fact that Lazard had organised such a gathering was an event in itself.

So why this sudden burst of gregariousness? Because, explained Mr David-Weill, standing behind his chair with three cigars popping out of the top pocket of his suit, Lazard's character and business approach often appeared to be misunderstood by a French public and press which has developed a growing taste for business affairs.

Moreover, Lazard has faced some snide criticisms of late from detractors who have insinuated that Lazard had been neglecting some of its traditional clients.

The spotlight has especially been placed on its role in a number of recent corporate transactions involving major French companies. This included its decision this year to act on behalf of Firestone and Bridgestone against Pirelli and Michelin in the successful takeover by Bridgestone of the US tyre company, even though Michelin had long been a client of Lazard. But, as Mr David-Weill explained, Michelin never asked Lazard to act on its behalf, so the bank accepted an offer to act for Firestone and Bridgestone.

The recent criticisms against Lazard, often inspired by some of the firm's banking rivals which have become increasingly aggressive in their efforts to play a major role in the fledgling French mergers and aquisitions (M&A) market, have clearly pricked Mr David-Weill and his partners. It was thus time to set the record straight.

After all, Lazard remains in France the dominant player in the M&A game. Indeed, the bank has been involved in practically all the big French M&A deals in recent years. And even though the competition has become tougher in this field in France, Lazard still appears to be a major step ahead of the pack.

Michael David-Weill: break from tradition

Mr David-Weill tried to explain why Lazard was special. For a start, it boasts a unique international network through its links with the other banks in the Lazard family in London and New York, which share the same philosophy and approach. Lazard is now considering adding a fourth, albeit smaller, arm in Japan with four partners specialising in the M&A field.

What also sets Lazard apart is that it has stuck to its partnership structure while other investment banks, with the possible exception of Goldman Sachs, have gone the other way. Size has never been a concern for Lazard, which sees itself as essentially a firm providing services and consultancy to its clients.

Lazard today employs only 400 people in Paris, 500 in London and 600 in New York. Moreover, while it could have access to substantial capital resources, it has also sought to keep its capital requirements at a modest level. All this to preserve the firm's independence.

Mr David-Weill explained that Lazard did not want to feel forced to accept deals it did not want. At the same time, the firm could not be in just one business field or for that matter in too many different sectors.

It has thus selected, during the last 15 years, a number of niches ranging in France from mergers and acquisitions, the firm's forté, to portfolio management, capital market activities concentrated in equities and sophisticated bond issues. In France, the firm is now looking closely at the emerging French leveraged buy-out sector.

With undisguised vanity, Mr David-Weill says one of the motto's of the firm is that if Lazard did what everybody else was doing, it must surely be wrong.

And so, at a time when most investment banks are becoming increasingly aggressive in their attitude to mergers and acquisitions, Lazard has decided to adopt a non-aggressive approach. Mr David-Weill explained that Lazard was only interested in representing an aggressive client when there were powerful industrial reasons, but he claimed the firm refused to act on behalf of clients driven by purely financial aims.

If everybody is becoming aggressive, there must surely be room for people who are not aggressive, he quipped, especially since firms capable of defending a company were becoming rarer and rarer these days.

For the future, and with the globalisation and, with 1992, the growing Europeanisation of business, Lazard intends to continue searching for new niches and talented partners. Mr David-Weill likes to say that the capital of Lazard goes up and down the lift in the Boulevard Haussmann building every day.

FT INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market.

Closing prices on December 20

US DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey National 7½ 92	200	†93⅝	93⅞	+0⅜	+0¼	9.93
A/S Eksportfinans 7¼ 92	150	93⅛	93½	+0⅛	−0⅛	9.88
B.F.C.E. 7 92	150	92¼	92¾	+0⅛	−0⅛	9.75
Brit. Tel. Fin. 9⅜ 98	250	97⅞	98⅜	+0¼	−0⅛	9.67
Canada 9 96	1000	97⅞	98⅛	+0⅛	−0½	9.41
Canadian Pac 10¼ 93	100	†101½	102½	0	−0¼	10.13
C.C.C.E 9¼ 95	300	97⅝	98⅛	−0⅛	−0¼	9.71
C.N.C.A 9⅞ 93	150	98½	99	−0⅛	−0⅛	6.68
Credit Lyonnais 9 91	200	†98⅜	98⅞	−0¼	−0¼	9.69
Credit National 8¼ 93	200	94⅝	95	−0⅛	−0¼	9.81
Credit National 7⅞ 92	100	93¼	93⅜	0	−0¼	9.72
Credit National 7¾ 91	150	†93¼	93¾	−0⅜	−0⅜	9.86
Dai-Ichi Kan 9⅝ 92	150	99⅛	99⅝	0	−0⅜	9.80
Denmark 7⅛ 92	500	92⅜	92⅞	+0⅛	−0¼	9.90
E.E.C. 7 91	100	93⅜	93⅞	+0⅛	−0⅛	9.57
E.E.C. 7¼ 93	250	91⅜	92⅜	+0⅛	−0⅛	9.64
E.E.C. 8 90	350	†97¼	97¾	+0⅛	+0⅛	9.70
E.I.B. 7⅝ 93	100	91⅞	92⅜	+0¼	−0¼	9.69
E.I.B. 9⅜ 97	150	98⅜	98⅞	+0⅜	−0⅛	9.60
Elec. De France 9 98	200	95⅞	96⅜	+0¼	0	9.64
Finland 7⅞ 97	200	89⅝	90⅛	+0¼	0	9.73
Finland 7½ 93	200	91⅝	92⅛	+0⅛	−0⅜	9.71
Finn. Exp. Cd. 8½ 92	200	96¼	96¾	+0⅛	−0¼	9.79
Ford Motor Credit 8 91	250	†96	96½	0	−0⅛	9.90
Gen. Elec. Cap. Corp. 9 93	500	96¾	97¼	+0⅛	−0⅛	9.79
Gen Elec Credit 10¼ 00	200	†100	100½	+0⅛	0	10.19
Gen. Mtrs. Corp. 9⅛ 92	200	98⅛	98⅝	+0⅛	−0⅛	9.65
Halifax BS 9½ 93	200	†98⅜	98⅞	+0⅛	0	9.86
IBM Credit Corp. 8⅞ 91	250	98⅛	98⅝	−0¼	0	9.53
Italy 9½ 95	1000	98¾	99¼	0	−0⅛	9.70
Italy 9 90	1000	†98¾	99¼	0	−0⅛	9.59
Lib. Mutual Cap. 9⅛ 93	150	—	—	—	—	—
L.T.C.B of Japan 8 91	100	95⅝	96	0	0	9.92
L.T.C.B. of Japan 8 97	200	89⅝	90⅛	+0⅜	0	9.87
Metropolis Tokyo 9½ 93	200	99⅝	100⅛	+0⅛	0	9.53
Morgan Guaranty Tst. 7 90	150	†96⅜	96⅞	0	0	10.01
Nippon Tel. & Tel. 9⅜ 98	250	98	98½	+0¼	−0⅛	9.65
Norway 8¾ 93	500	96¾	97¼	+0⅛	−0⅜	9.63
Portugal 8¼ 91	300	†96¼	96¾	−0¼	−1	10.02
Prudential Crp. 8⅞ 94	125	96⅞	97⅜	+0⅛	−0¼	9.41
Qantas Airways 10⅜ 95	140	102⅝	103⅛	+0⅜	0	9.74
Saskatchewan 10¼ 92	100	102½	103	+0¼	0	9.68
State Bk S Aust 9¼ 93	100	97⅞	98⅜	+0⅛	−0⅛	9.80
Sumitomo Bank 9⅝ 92	150	99⅛	99½	−0¼	−0⅜	9.85
Swed Exp Cred 7¼ 91	100	†93⅜	93⅞	0	−0¼	9.81
Sweden 7 91	250	93½	94	0	−0¼	9.63
Sweden 7 92	250	†93	93½	+0¼	0	9.57
Sweden 8¾ 96	200	95⅜	95⅞	+0⅛	−0⅛	9.60
Sweden 8½ 92	200	†97⅞	98⅜	+0⅛	+0⅛	9.10
Victorian Rep 11⅝ 92	150	104⅜	105	−0¼	−0½	9.89
World Bank 7 92	300	†92⅞	93⅜	0	−0⅜	9.65
World Bank 9 97	300	96¾	97¼	+0¼	−0⅜	9.51
World Bank 9¼ 98	300	97¾	98¼	+0½	0	9.57
Yasuda Trust Fin 8½ 93	100	†94⅞	95⅜	+0⅛	0	9.86

Average price change... On day +0⅛ on week −0¼

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. BK. 6 94	200	101⅜	102	−0⅜	+0⅛	5.67
Aus Fin. SVS 5⅞ 92	100	100⅞	101⅜	−0⅛	−0¼	5.47
Bank of Tokyo 5¾ 93	100	101½	102	+0¼	0	5.27
Central BK. Turkey 7 92	200	104	104½	0	+0⅛	5.71
Commerzbank o/s. 5⅜ 93	300	100⅛	100⅝	−0⅛	−0¼	5.27
Degussa Int. 6⅛ 97	200	100⅞	101⅜	0	−0⅛	5.93
E.I.B 5½ 98	150	95⅝	96⅜	0	+0½	6.07
E.I.B 6 97	300	98⅞	99⅝	−0⅛	+0⅛	6.12
E.I.B. 6⅛ 96	300	100⅜	101	0	+0⅛	6.01
E.I.B. 6⅛ 97	400	100⅛	100⅞	0	+0½	6.04
E.I.B. 6⅞ 95	300	104⅜	105⅛	0	+0⅛	6.01
Euro. Coal & Steel 5⅞ 97	175	98⅜	99	0	+0⅛	6.07
Eurofima 6¼ 96	100	101	101⅝	−0⅛	0	6.03
Elec De France 5¾ 97	300	98	98⅝	0	−0½	6.01
Forsmark Krtg. 5⅛ 93	200	98⅜	99	0	+0¼	5.46
I.A.D.B. 6 97	200	99½	100⅛	+0⅛	+0½	6.01
Japan Dev. Bk. 5⅜ 95	300	98¾	99½	0	+0⅜	5.54
Japan Finance 5¾ 97	100	97¼	97¾	0	−0½	6.16
Ireland 6½ 97	300	101	101½	0	0	6.30
Malaysia 6¼ 94	150	99⅞	100⅝	0	+0¼	6.18
Nat. West BK. PLC 6 98	300	97⅛	97⅞	−0⅛	0	6.36
N.H.L. Finance 6¼ 95	200	†99⅞	100⅜	+0⅛	+0⅞	6.22
Nippon Telg. & Tel. 6 95	400	102¼	103	0	+0⅜	5.92
Oesters. Kontbk. 5 93	300	98¼	98⅞	−0⅛	+0⅛	5.38
Portugal 5¾ 92	150	100⅞	101⅜	−0⅛	−0⅜	5.39
Portugal 6⅜ 95	150	102½	103⅛	−0⅛	−0⅛	6.08
Privatbanken 5¼ 93	150	97¾	98⅜	−0⅛	−0⅛	5.79
Royal Insurance 5½ 92	300	100⅝	101¼	−0⅛	0	5.19
Soc Cent Nuclear 7¼ 95	150	105¼	106⅛	−0⅛	+1¼	6.08
Turkey 6½ 95	500	97⅜	98⅛	−0⅛	−0⅛	6.94
Westlb. Finance 5 93	200	†99	99¼	0	0	5.23
World BK. 6⅛ 97	600	100⅞	101⅜	0	+0½	6.00

Average price change... On day 0 on week +0⅛

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
African Dev. Bk. 5 96	150	†100¾	101½	+0⅜	−0⅛	4.81
Asfinag 5 03	100	†100	101	−0¼	0	4.95
B.F.C.E. 4½ 98	200	†98½	98¼	0	0	4.68
B.M.W. Fin. Neth. 5 13	150	†95	96	−0¾	−0¾	5.33
Britannia B/S. 4¼ 94	100	†97½	97¾	+1	+0⅝	4.75
CIR. Int. W/W 3 93	125	†100	100¼	+3	+2¼	2.97
Credit Lyonnais 4¾ 00	100	†97	97¼	−0⅛	−0⅝	5.08
E.I.B 4⅝ 98	150	†99	99¼	−0⅜	−0⅜	4.74
Fletcher Chall. 4⅞ 98	150	†97	97½	−0⅛	−0⅛	5.25
Kobe City 4⅜ 98	150	†98	98¼	0	0	4.87
Leeds Perm. B/S. 4⅛ 93	200	†97	97½	0	−0¼	4.84
Malaysia 5¼ 98	100	†98	99	−0¼	−0⅜	5.45
Maxwell Comm. Crp. 5 95	150	†101	101½	+0¼	+0⅝	4.77
Nat. Bk. Hungary 5½ 94	75	†98	98½	−0¼	−0⅞	5.85
Nationwide Ang. B/S. 4 93	200	†96¼	96½	+0⅛	−0½	4.91
Nippon Telg. & Tel. 4¼ 95	200	†98¼	98⅝	+0¼	−0¼	4.53
Oesters. Ktbk. 5 03	75	†99¼	100¼	+0¼	+0⅛	5.00
Prov. New Foundland 5 03	150	†100	100¼	0	0	4.99
Thailand 4⅝ 95	200	†95¼	96¼	0	−0⅛	5.36
World Bank 5 03	150	†99¼	100	+0¼	−0⅞	5.01

Average price change... On day +0⅛ on week −0⅛

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Belgium 5⅜ 92	55	102⅛	102⅜	0	−0⅛	4.74
Belgium 4⅝ 94	45	98⅜	98⅝	0	−0⅛	4.94
Canada 4⅞ 92	80	99	99¼	0	0	4.64
Elec. De France 5⅛ 94	20	101	101½	0	0	4.85
Ireland 5⅛ 93	30	100⅛	100¼	0	+0⅛	4.99
Norway 5⅛ 95	50	101⅛	101⅜	0	0	4.88
Rep. of Italy 5¾ 92	150	103⅛	103⅜	0	0	4.61
Sweden 4⅝ 93	50	99⅜	99⅝	0	0	4.75
World Bank 5½ 92	50	103	103¼	0	0	4.56

Average price change... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Abbey Nat. BS. 10¼ 93 £	50	98¼	98⅝	+0⅜	+1¼	10.70
Alg. Bk. Ned. 5½ 92 FL	150	98⅞	99¼	0	+0¼	5.85
Alg. Bk. Ned. 5¾ 93 FL	200	98⅝	99⅛	0	+0⅛	6.05
Amro Bank 6¼ 92 FL	150	101¼	101⅞	0	+0⅛	5.77
Aust. Ind. Dev. 12⅞ 93 AS	100	96	96½	+0⅛	+0⅜	14.02
Barc. Bk. 10¼ 97 £	250	95¼	95¾	+0⅜	+0⅞	11.06
Barclays Aus. 13½ 91 AS	100	99½	100	0	+0⅝	13.55
Blue Circle 10¾ 13 £	150	†96⅞	97⅜	—	—	11.03
BP Capital 9¼ 93 £	100	95⅛	95⅝	+0¼	+1¼	11.08
British Airways 10 98 £	100	92⅛	92⅝	+0¼	+0¾	11.36
Bohrmann-Tet. 6⅜ 93 FL	100	100⅜	100⅞	0	+0⅛	6.20
Comm. Bk. Aust. 12⅝ 93 AS	100	96	96½	+0⅛	0	13.55
Coop. Ctr. Rabo. 6¼ 93 FL	100	100⅛	100⅝	0	+0⅛	6.14
Coop. Ctr. Rabo. 6 92 FL	200	100⅛	100½	0	+0⅛	5.87
Denmark 7¾ 92 ECU	100	†100⅜	101⅜	0	−1⅜	7.27
Dixons 11 95 £	90	†95⅞	96⅜	+0¼	+1⅛	11.77
Deut. Bk. Aust. 12¾ 95 AS	70	99½	100	0	0	12.77
Eastman Kodak 13 90 AS	100	96⅝	97⅛	0	+0⅛	15.10
E.I.B. 7 96 LFr	100	*98	99	0	−0¼	7.27
Elec. France 10¼ 95 C$	125	†98¾	99¼	+0⅛	−0¾	10.44
Euratom 7⅜ 97 ECU	145	95⅛	95⅝	+0⅛	+0¼	8.15
Fed. Bus. Dv. Bk. 9¾ 92 C$	75	†97	97½	+0⅛	+0⅛	10.70
Ford Cr. Can. 10¾ 93 C$	100	†99⅝	100⅛	+0⅛	−0⅜	10.77
Gillette Can. 9⅜ 93 £	70	92½	93	+0⅛	+0⅝	11.73
G.M.A.C. 9¾ 93 C$	150	†95⅞	96⅜	+0⅛	−0⅝	10.87
G.M.A.C Aus. Fin. 14 90 AS	50	100⅛	100⅝	0	+0⅜	13.55
Halifax BS 10⅜ 97 £	100	95½	96	+0⅜	+1¼	11.18
Imp Chem Inds 10 03 £	100	93⅜	93⅞	+0⅜	+0¼	10.88
Inv. Industry Int. 10 93 £	60	95¾	96⅜	+0¼	+1¼	11.19
Lloyds Bank 10¼ 98 £	150	93⅞	94⅜	+0⅜	+1	11.29
Montreal Tst. 10⅜ 93 C$	100	†98⅝	99⅛	+0⅛	−0⅝	11.04
Nat. West. Bk. 13⅛ 92 AS	50	†99⅝	100⅛	0	+0⅝	13.15
Nationwide BS 10⅛ 93 £	75	96⅛	96⅝	+0½	+1½	11.20
Ned. Midd. Bank 6 92 FL	150	100⅛	100⅝	0	0	5.86
New Zealand 9½ 93 £	100	94¼	94¾	+0¼	+1¼	11.13
New Zealand 7¾ 93 ECU	200	100⅛	100⅝	0	−0⅛	7.63
Oesters. Ktbk. 13⅝ 94 AS	75	100⅞	101⅜	−0⅛	+0⅛	13.31
Philips Gloeil. 6 93 FL	300	98¾	99⅛	0	−0⅞	6.24
Prudential Fin. 9⅜ 07 £	150	†88¼	88¾	+0¼	+0½	10.82
Royal Bk. Scot. 10⅝ 98 £	125	95⅜	95¾	+0¼	+0¾	11.47
Saskatchewan 9⅞ 91 C$	150	†97¾	98¼	+0⅛	−0¼	10.74
Saskatchewan 10¼ 93	200	98⅛	98½	+0⅛	−0¼	10.71
S.D.R. 7¾ 95 ECU	90	†99	99½	0	−0⅛	7.90
Union Bk. Switz. 7½ 93	150	101⅛	101⅝	0	0	7.16
World Bank 5¼ 92 FL	100	99⅜	99¾	0	−0¼	5.91
World Bank 13⅜ 92 AS	100	†99	99½	−0¼	+0⅞	13.58
Zentrspk. 13¼ 93 AS	75	98½	99	+0⅛	+0½	13.58

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn
Alliance & Leic. Bld 94 £	.08	99.68	99.73	21/01	10.99
Belgium 91 US	0	100.11	100.22	21/02	9
Britannia 5 93 £	0⅛	99.91	99.96	10/01	12.12
Chase Manhattan Crp. 91 US	0⅛	99.50	99.67	22/02	8.94
Citicorp 98 US	†0¼	97.70	97.95	28/02	9.62
Credit Foncier 98 US	.063	99.59	99.69	20/04	8.44
EEC 3 92 DM	†0	100.95	101.05	22/02	5.63
Halifax BS 94 £	.1	99.86	99.91	8/02	12.29
Invt. in Industry 94 £	0	99.96	100.03	24/02	11.87
Leeds Perm. B/S. 94 £	0⅛	100.01	100.06	13/01	10.44
Midland Bank 01 £	.1	96.25	97.12	11/02	11.41
Milk Mkt. Brd. 5 93 £	0⅛	100.00	100.05	30/12	12.06
New Zealand 5 97 £	.07	100.11	100.21	20/02	12.16
New Zealand 5 01 US	0	99.79	99.89	4/02	8.62
State Bk. Nsw. 98 US	.188	100.22	100.32	13/02	8.87
Woolwich Equit. BS. 93 £	0⅛	99.90	99.95	13/01	12.12
Woolwich 5 95 £	0⅛	99.77	99.82	21/02	12.37

Average price change... On day +0.02 on week +0.03

CONVERTIBLE BONDS	Cnv. date	Cnv price	Bid	Offer	Chg. day	Prem
Alcoa 6¼ 02 US	10/87	62.	103¼	104¼	+0⅞	17.75
Amer. Brands 7¾ 02 US	9/87	56.7	106½	107½	+0⅛	8.82
Ashikaga Bank 2⅛ 02 US	4/87	967.	145½	146½	−0⅝	5.66
Asics 5 92 DM	12/83	472.7	213½	214⅞	0	7.13
CBS. Inc. 5 02 US	4/87	200.	91⅞	92⅞	+0⅛	9.16
Eng. China Clay 6½ 03 £	9/88	4.8	98¼	99¾	0	4.70
Fujitsu 3 99 US	5/84	1106.	256	257	−3⅝	−0.89
Land Secs. 6¾ 02 £	6/87	6.72	91¼	92¼	+0⅛	12.31
MCA Inc 5½ 02 US	9/87	69.62	81¼	82¼	+0¼	23.74
Minolta Camera 2¼ 94 DM	2/86	1004.	96⅞	98⅛	−0½	18.40
Mitsubishi Bk. 1¾ 02 US	9/87	3157.	131½	133½	−0½	5.66
Mitsui Trust 2⅜ 01 US	10/86	1903.	134⅞	135⅞	−2¼	3.21
Next Plc 5¾ 03 £	11/87	4.3	97½	98½	0	214.48
Nishi Nipp. Bk 2⅞ 03 US	4/88	804.	116¼	118	−0⅛	10.79
Omron Tateisi 2⅜ 02 US	4/87	1310.	225⅛	226⅛	−5⅝	−1.87
Primerica 5⅛ 02 US	4/87	66.75	64¼	65¼	+0¼	54.36
Ranks Hovis 4¾ 03 £	1/88	3.5	106⅜	107⅛	−0⅛	10.02
Redland 7¼ 02 £	1/87	5.4	86	87	−0⅛	17.66
Saatchi & Saatchi 6¾ 03 £	†10/89	4.41	93⅝	95½	+1	29.02
Texas Inst. 2¾ 02 US	9/87	82.87	73½	74½	+0⅛	50.94
W.R. Grace 6¼ 02 US	9/87	42.12	80¼	81¼	−0⅛	36.91

* No information available-previous day's price

† Only one market maker supplied a price

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week = Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte = Date next coupon becomes effective. Spread = Margin above six-month offered rate (three-month; §above mean rate) for US dollars. C.cpn = The current coupon.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day = Change on day. Cnv date = First date of conversion into shares. Cnv. price = Nominal amount of bond per share expressed recurrency of share at conversion rate fixed at issue. Prem = Percentage premium of the currenteffective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL CAPITAL MARKETS

Federal Express to substitute £75m issue

By Norma Cohen

FEDERAL EXPRESS' £75m five-year Eurobond, launched on December 8, has been withdrawn following lengthy negotiations between the company, lead manager, Credit Suisse First Boston and other members of the selling syndicate.

However, the company will make a private placement on terms identical to those in the Eurobond for those investors who bought the bonds and do not want to unwind their positions. The size of the private placement will be known by noon today.

INTERNATIONAL BONDS

The status of the Eurobond, set for signing last Friday, was thrown into doubt that day when Federal Express announced it would acquire Tiger International for $850m. The news prompted Moody's Investors Service to announce it would review the company's A-2/A+ credit rating for a possible downgrading.

Investors and syndicate members cried foul, arguing that the acquisition had so materially changed the company's status that the bonds they agreed to buy were not the ones they would actually receive.

Lead manager CSFB was also on the spot since it, too, was apparently unaware of the acquisition at the time it sold the bonds to investors.

Ironically, upon launching the deal nearly two weeks ago, CSFB had made much of the inclusion of a "poison put" in the indenture, in hopes of overcoming Eurobond investors' fears about event risk. The poison put allowed investors to sell their bonds back to Federal Express at par if some event such as a corporate restructuring resulted in a downgrading to junk bond status.

Other solutions called for Federal Express to withdraw the issue entirely, which market sources said it was willing to do. CSFB also offered to buy back the bonds from syndicate members at the price they were sold. Those solutions were rejected largely because the recent rally in the sterling-denominated bonds has made the Federal Express securities much more valuable than they were on the date of launch.

Meawhile, the D-Mark Eurobond sector saw another rush of new issue activity, with three new deals totalling DM1.05b

The largest issue of the day was a DM750m five-year Eurobond for Deutsche Finance Netherlands guaranteed by its parent company, Deutsche Bank. The issue carries a coupon of 5¾ per cent and is priced at 101⅜. The issue was seen trading at less 1¼ per cent, yielding 5.72 per cent.

But the most interesting deal was a eight-year DM200m bond for WGZ International Finance, a unit of Westdeutsche Genossenschafts-Zentralbank. The issue is the borrower's first DM Eurobond and is the first in that sector with a serial put option.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
D-MARKS						
Deutsche Fin.(N'lands)◆	750	5¾	101⅜	1994	1¼	Deutsche Bank
WGZ Int. Finance(a)◆	200	5⅝	101¼	1997	2⅜/1½	Trinkaus & Burkhardt
Hypobank Int.◆	100	5¾	100½	1994	n/a	B.Hypo-und Wechsel Bk
DANISH KRONER						
Finance for Danish Ind.◆	250	9	101½	1992	1⅜/⅞	Den Danske Bank
AUSTRALIAN DOLLARS						
Issue increased:						
Fin. Co. S.Australia(b)◆	75m	15	101.60	1991	1¼/¾	CCF

◆Final terms. a) Repaid at 105 10/1/97. Put at 100 1994, at 101¼ 1995 and 103½ 1996. b) Issue increased *from A$60m.*

US mutual fund selects Scottish manager

By James Buxton, Scottish Correspondent

DUNEDIN Fund Managers, the Edinburgh-based investment managers, have been appointed by Lord Abbett, the New York-based mutual fund group, to manage part of Lord Abbett's recently launched Global Fund. It is the first time that the US group has involved a fund manager from outside the US in managing one of its funds.

Lord Abbett is one of the largest independent mutual management groups in the US, with total mutual fund assets of $6bn and a further $3.5bn of pension fund business. It manages the $3.5bn Affiliated Fund, one of the biggest US mutual funds. More than 450,000 US savers invest in Lord Abbett funds.

The new Global Fund is intended to introduce US mutual fund investors to overseas investment, which few have so far ventured into. Lord Abbett decided that it did not have the overseas investment experience to manage the overseas portion of the fund and looked for a manager in Britain. It chose Dunedin from 10 UK fund managers.

Dunedin manages assets worth about £1.6bn ($2.92bn). It runs the Edinburgh Investment Trust with assets of more than £650m and is trying to acquire overseas institutional clients.

Mr Alan Kemp, Dunedin's investment director, said Dunedin's appointment was "a major breakthrough, not just for Dunedin but for the Scottish investment community as a whole. Lord Abbett is known in the US for its long term investment horizons and successful record. For us it is a natural way into a huge market that we could never have entered by ourselves."

Dunedin is managing the overseas portion of the Global Fund from Edinburgh, although formally its role is one of sub-adviser to Lord Abbett.It will handle the allocation of assets between markets, and between bonds and equities.

So far the Global Fund has attracted about $15m in investors' funds.

Swedes drop options tax for foreigners

By Robert Taylor in Stockholm

FOREIGNERS WILL be able to trade on the options market – SOFE – without having to pay Sweden's turnover tax when it comes into force on January 1, it was announced yesterday. The regulatory authorities in Stockholm have given the go-ahead for SOFE to trade directly with foreign banks and brokerage companies.

This move is expected to increase foreign interest in the small Swedish options market. SOFE, formed in March, 1987, is responsible for a quarter of the daily business at the moment on the market.

This decision also means that foreign customers will be able to avoid brokerage costs because the Swedish supervisory fund commision will not need to be involved any longer. SOFE's charges will now be the lowest in the market.

SOFE's managing director, Mr Dan Stridsberg, said yesterday: "Foreign clients will be able to participate in trading through our electronic trading system with exactly the same priority as Swedish customers. Foreigners can also trade through SOFE from their offices abroad without any risk of discrimination."

He added: "The international interest is very great to operate through SOFE."

● Norway's Parliament has voted by an overwhelming majority in favour of scrapping a 1 per cent share turnover tax from January 1, Reuter reports from Oslo.

The tax, split equally between buyer and seller, came into force at the start of this year and has been deeply unpopular with brokers. Many have complained that it limited an already lacklustre stock market.

Trading on the Oslo exchange has, however, picked up since the minority Labour Government's plans to scrap the tax were announced earlier this month.

Dyno Industrier arranges multi-currency standby

By Karen Fossli in Oslo

DYNO INDUSTRIER, the diversified Norwegian chemicals group, has arranged for a $100m revolving multi-currency standby facility, which will allow the company to tap funds, in the currency of its choice, for a period of up to seven years.

Dyno said the loan was arranged by a syndicate of 11 major international banks headed by Britain's National Westminister and Norway's Christiania bank.

The loan secures Dyno against unforeseen developments in the short-term Euromarket, where the company covers a large part of its borrowing requirements.

The standby facility is partly to replace older, more costly loans and to serve, in part, as a long-term borrowing facility for completed and planned expansion.

Dyno has operations in 25 countries worldwide and a staff of 6,000. Its annual turnover for 1988 is expected to reach NKr5.5bn ($841m).

Separately, Christiania Bank, one of Norway's top three, said that it had arranged a NKr150m subordinated debt capital loan for Vesta, Norway's second largest insurance company. The bullet loan has an annual yield of 15.2 per cent with a maturity in December 1993.

It was launched as a public issue in cooperation with Sundal, Collier and Montagu and Fondsfinans, two Norwegian brokers, and was over-subscribed by 4.5 per cent, or an amount close to NKr700m.

This is the first time that Norwegian authorities have allowed an insurance company to raise equity capital as a subordinated loan. Vesta received payment on December 15, according to Christiania.

Vesta is currently the subject of a bid by Sweden's Skandia insurance group, which is hoping to acquire the Norwegian insurance company for NKr800m.

In the first eight months of 1988 Vesta posted an operating profit of NKr11.8m, compared with losses of NKr368.9m.

Money supply and lending figures lift UK sector

By Stephen Fidler and Norma Cohen in London and Roderick Oram in New York

THE UK government bond market took heart from UK money supply and bank lending figures which were interpreted as lending some support to the contention of Mr Nigel Lawson, the Chancellor of the Exchequer, that recent interest rate increases were beginning to have the desired effect on the economy.

GOVERNMENT BONDS

On the whole, trading was quiet although there was some very modest buying reported from some fund managers.

The market ended up to ¼ point up, with the rally in New York further bolstering prices in the afternoon.

THE MAIN bond markets in continental Europe also enjoyed significant rallies, their morning gains justified in the afternoon by the strength in the US market. With concern defused about a discount rate rise in the US, Europe's bond markets are breathing easier.

London futures led action in the German government market in the morning in a short-covering rally, and prices closed an average quarter point up on the day.

In France, the rally was even stronger with prices rallying by ½ point or more, although its strength over recent days may suggest at least a short-term consolidation.

In the Netherlands, prices ended up to ¼ point higher. Most activity concentrated in the latest 6¾ per cent Dutch State Loan maturing in January 1999.

Because this bond does not have to be paid for until January, it is being used almost as a futures contract.

BUOYED by encouraging economic news and a stronger dollar, US bond prices rose by as much as a point yesterday. Some buying by retail investors was apparent although trading volume was moderate overall.

The price of the Treasury's benchmark long bond was up ⅞ of a point by early afternoon at 100⅞ yielding 8.95 per cent. Yields on shorter maturities fell far less, while three-month Treasury bills rose fractionally to 8.46 per cent. This left the yield curve inverted, with investors earning more from short-maturity securities than long.

The dollar rose to Y125.20 from its close the previous evening in New York of Y124.08 and to DM1.7785 from DM1.7645.

Some analysts doubted, though, the dollar's strength. They believe it is tied to year-end buying of the currency by corporations which will peter out soon.

On the eonomic front, the consumer price index rose 0.3 per cent in November, about 0.1 per cent less than most economists had forecast. Growth in third-quarter gross national product was revised down to an annual rate of 2.5 per cent from 2.6 per cent, whereas the markets had expected no change or a small increase.

Although the data indicated a slight slowing of inflation and the growth rate, the change was too small to signal a marked change in the economy's direction.

After a day of volatile trading in a thin market, New Zealand government bonds closed about unchanged.

Bond prices staged a fairly strong rally after Prime Minister David Lange announced he would hold a press conference today, sparking speculation that Mr Lange would announce the privatisation of either Air New Zealand or the sale of the Government's 70 per cent stake in Bank of New Zealand.

The bellwether 10 per cent bonds due 1993 closed at 13.88 per cent, after peaking at 13.78 per cent and falling to 13.92 per cent on profit taking.

Disputes over the handling of the Government's privatisation programme had undermined confidence in Mr Lange's Government among his cabinet ministers, helping to fuel the Labor Party's current crisis.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
UK GILTS		13.500	9/92	108-19	+6/32	10.66	11.03	10.35
		8.750	9/97	92-12	+14/32	10.08	10.28	9.84
		9.000	10/08	96-01	+17/32	9.22	9.32	9.06
US TREASURY		8.875	11/98	99-26	+18/32	9.06	9.15	9.04
		9.000	*11/18*	*100-13*	*+28/32*	*8.96*	*8.96*	*9.11*
JAPAN	No 105	5.000	12/97	102.8752	-0.001	4.55	4.52	4.64
	No 2	5.700	3/07	108.7566	-0.001	4.80	4.76	4.90
GERMANY		6.750	8/98	101.8500	+0.325	6.51	6.61	6.41
FRANCE	BTAN	8.000	10/93	97.4927	+0.225	8.64	8.63	8.56
	OAT	9.500	5/98	105.2350	+0.535	8.65	8.75	8.82
CANADA		10.250	12/98	101.0000	+0.500	10.09	10.13	10.09
NETHERLANDS		6.7500	10/98	101.9250	+0.200	6.55	6.64	6.48
AUSTRALIA		12.500	1/98	98.0107	-0.208	12.87	12.53	12.12

London closing, *denotes New York morning session
Yields: Local market standard Prices: US, UK in 32nds., others in decimal

Technical Data/ATLAS Price Sources

LONDON MARKET STATISTICS

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Dec 20 1988 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1988 to date	Mon Dec 19 Index No.	Fri Dec 16 Index No.	Thu Dec 15 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (208)	767.57	+0.5	12.20	4.64	10.04	25.27	764.05	764.14	759.06	721.26
2 Building Materials (28)	929.32	+0.6	13.71	4.90	8.98	33.27	923.65	920.58	919.49	971.66
3 Contracting, Construction (39)	1453.75	+0.3	13.52	4.19	9.64	46.70	1449.20	1439.74	1426.55	1360.97
4 Electricals (10)	2264.47	+0.6	9.56	4.98	12.61	77.61	2251.14	2252.78	2243.86	2030.07
5 Electronics (30)	1747.82	+0.5	10.73	3.73	12.06	46.85	1738.87	1752.41	1740.56	1510.90
6 Mechanical Engineering (54)	403.85	+0.8	11.60	4.58	10.40	13.75	400.82	400.05	397.41	365.16
8 Metals and Metal Forming (8)	448.57	+0.4	16.85	6.44	6.77	14.31	446.80	447.61	445.12	428.41
9 Motors (16)	259.17	+0.5	13.00	5.22	8.89	9.80	257.85	258.84	256.88	265.62
10 Other Industrial Materials (23)	1295.86	......	10.50	4.81	11.26	45.45	1296.20	1292.87	1285.86	1214.30
21 CONSUMER GROUP (188)	1007.67	+0.5	10.32	4.13	12.15	29.69	1002.22	1001.13	994.42	1031.33
22 Brewers and Distillers (21)	1115.24	+0.1	11.41	4.00	10.95	30.86	1113.85	1112.03	1105.60	993.29
25 Food Manufacturing (21)	906.19	+0.5	10.11	4.25	12.42	27.16	901.60	899.19	894.33	838.98
26 Food Retailing (16)	1770.79	+0.8	10.21	3.96	12.90	51.41	1757.59	1744.80	1723.24	2058.92
27 Health and Household (13)	1777.24	+0.9	7.56	2.84	15.15	40.69	1761.86	1762.74	1770.35	1746.97
29 Leisure (31)	1334.73	+0.1	9.21	3.95	13.85	37.72	1333.88	1330.23	1320.74	1134.07
31 Packaging & Paper (17)	516.44	+0.9	10.80	4.36	11.52	16.19	511.97	509.84	503.76	500.99
32 Publishing & Printing (19)	3199.10	+0.8	9.56	4.80	13.09	106.59	3174.65	3152.14	3123.27	3329.35
34 Stores (34)	671.76	+0.5	12.67	5.12	10.38	23.22	668.61	673.93	664.26	855.56
35 Textiles (16)	451.28	+1.4	15.42	6.23	7.77	19.12	444.93	446.31	439.61	609.62
40 OTHER GROUPS (92)	886.51	+0.6	11.85	4.86	10.30	28.79	880.90	879.20	876.59	848.64
41 Agencies (19)	1028.13	+1.6	8.75	2.75	14.34	21.23	1012.12	1003.47	997.17	1043.91
42 Chemicals (22)	1008.12	+0.8	12.64	5.23	9.58	41.73	1000.44	1002.03	999.62	1068.13
43 Conglomerates (12)	1242.11	+0.9	11.09	5.76	9.71	54.04	1230.57	1220.40	1218.34	1131.06
45 Shipping and Transport (12)	1850.21	+0.7	12.10	5.07	10.79	62.48	1836.51	1828.72	1817.16	1734.16
47 Telephone Networks (2)	993.48	+0.3	11.83	4.73	10.99	21.88	990.87	993.48	989.80	886.41
48 Miscellaneous (25)	1165.81	+0.3	12.34	4.71	9.20	41.15	1162.17	1159.08	1159.09	1160.43
49 INDUSTRIAL GROUP (488)	926.58	+0.5	11.26	4.47	10.97	28.96	921.54	920.63	915.69	910.32
51 Oil & Gas (12)	1760.09	-0.1	10.51	6.35	12.18	76.90	1761.57	1786.69	1772.05	1681.78
59 500 SHARE INDEX (500)	997.12	+0.5	11.15	4.74	11.13	33.02	992.60	993.78	988.04	975.70
61 FINANCIAL GROUP (124)	672.99	+0.1	-	5.30	-	26.51	672.23	671.29	666.51	639.23
62 Banks (8)	666.99	+0.3	21.25	6.50	6.31	32.18	665.07	667.69	659.48	634.66
65 Insurance (Life) (8)	933.23	+0.7	-	5.69	-	39.81	926.80	919.78	915.35	938.02
66 Insurance (Composite) (7)	523.62	+0.3	-	5.97	-	24.04	521.91	518.31	515.74	517.94
67 Insurance (Brokers) (7)	904.85	-0.5	9.60	7.18	12.91	46.87	909.60	909.11	886.45	916.43
68 Merchant Banks (11)	313.69	+0.2	-	4.70	-	10.93	313.19	312.95	311.15	340.17
69 Property (52)	1206.12	-0.4	5.92	2.85	21.58	25.65	1211.36	1208.94	1206.36	991.34
70 Other Financial (31)	342.96	......	10.26	5.77	12.17	15.12	342.90	342.36	341.16	378.67
71 Investment Trusts (76)	910.42	+0.6	-	3.32	-	20.26	905.09	903.55	901.80	799.33
81 Mining Finance (2)	547.91	+0.3	11.16	3.82	9.99	15.67	546.43	549.67	546.71	445.62
91 Overseas Traders (8)	1252.39	-0.3	9.37	5.05	12.37	44.90	1256.43	1264.00	1248.53	948.82
99 ALL-SHARE INDEX (710)	916.64	+0.4	-	4.77	-	30.85	913.05	913.01	908.38	884.84

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Dec 19	Dec 16	Dec 15	Dec 14	Dec 13	Year ago
FT-SE 100 SHARE INDEX◆	1777.4	+6.9	1781.6	1771.7	1770.5	1773.7	1763.2	1756.1	1752.6	1747.4

FIXED INTEREST

PRICE INDICES		Tue Dec 20	Day's change %	Mon Dec 19	xd adj. today	xd adj. 1988 to date
	British Government					
1	5 years	118.68	+0.18	118.47	-	11.35
2	5-15 years	133.77	+0.39	133.32	-	12.84
3	Over 15 years	146.52	+0.47	146.00	0.24	14.18
4	Irredeemables	169.68	+0.03	169.66	-	13.62
5	All stocks	131.80	+0.30	131.44	0.03	13.15
	Index-Linked					
6	5 years	129.60	-	129.60	-	2.44
7	Over 5 years	126.26	-0.15	126.72	0.27	3.54
8	All stocks	126.33	-0.13	126.75	0.25	3.43
9	Debentures & Loans	116.03	-0.05	116.09	-	11.62
10	Preference	85.76	-0.21	85.94	-	6.41

	AVERAGE GROSS REDEMPTION YIELDS		Tue Dec 20	Mon Dec 19	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	10.19	10.27	8.85
2		15 years	[illegible]	[illegible]	9.52
3		25 years	[illegible]	[illegible]	9.36
4	Medium Coupons	5 years	[illegible]	[illegible]	9.49
5		15 years	[illegible]	[illegible]	9.71
6		25 years	[illegible]	[illegible]	9.61
7	High Coupons	5 years	[illegible]	[illegible]	9.57
8		15 years	[illegible]	[illegible]	9.87
9		25 years	[illegible]	[illegible]	9.63
10	Irredeemables		[illegible]	[illegible]	9.28
	Index-Linked				
11	Inflation rate 5%	5yrs.	[illegible]	[illegible]	3.87
12	Inflation rate 5%	Over 5 yrs.	[illegible]	[illegible]	3.96
13	Inflation rate 10%	5yrs.	[illegible]	[illegible]	3.47
14	Inflation rate 10%	Over 5 yrs.	[illegible]	[illegible]	4.04
15	Debs & Loans	5 years	[illegible]	[illegible]	10.96
16		15 years	[illegible]	[illegible]	11.04
17		25 years	[illegible]	[illegible]	11.10
18	Preference		[illegible]	[illegible]	10.67

†Opening index 1773.4; 10 am 1772.1; 11 am 1776.1; Noon 1778.8; 1 pm 1778.4; 2 pm 1778.6; 3 pm 1781.6; 4 pm 1779.3; 4.05 pm 1778.7 (a) 2.46pm (b) 9.41am † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London EC4P 4BY, price 15p, by post 34p.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	91	12	8
Corporations, Dominion and Foreign Bonds	15	1	35
Industrials	443	270	870
Financial and Properties	186	85	401
Oils	37	17	51
Plantations	0	1	12
Mines	34	19	136
Others	109	31	106
Totals	915	436	1,619

LONDON RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price £	+ or -
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

RIGHTS OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1988 High	1988 Low	Stock	Closing Price p	+ or -
10	F.P.	10/1	12	11	*Amercoear Energy	11	
185	Nil	25/1	20pm	2pm	Hickson International	4pm	+2
98	Nil	-	8pm	8pm	Lees (John J.) 10p	8pm	
16	Nil	-	2½pm	2pm	§Resort Hotels 10p	2pm	
2½	Nil	-	1pm	½pm	*Swanyard Studios 1p	½pm	

a Annualised dividend.b Figures based on prospectus estimates.d Dividend rate paid or payable on part of capital, cover based on dividend on full capital.g Assumed dividend and yield.s Dividend and yield exclude special payment. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings.L Estimated annualised dividend,cover and p/e based on latest annual earnings.M Dividend and yield based on Prospectus or other official estimates for 1988.N Dividend and yield based on prospectus or other official estimates for 1989. Q Gross.R Forecast annualised dividend,cover and p/e ratio based on prospectus or other official estimates. W Pro Forma figures.¶ Issued by tender.‡ Offered to holders of ordinary shares as a "rights".† Introduction.§Placing price.†† Reintroduction.‡ Issued in connection with reorganisation merger or takeover.‖ Allotment price.‡ Unlisted securities market.‡ Official London listing.□ Including warrants entitlement.* Third Market.

TRADITIONAL OPTIONS

● First Dealings Dec 19
● Last Dealings Jan 6
● Last Declarations Mar 30
● For settlement Apl 10

For rate indications see end of London Share Service

Calls in Lonrho, ML Labs, Thorn Wrats, Blue Arrow, Central & Sheerwood, Time Prods, Sears, Regentcrest, Greenall Whitley, FR Group, Unid Gralee, BSR.

LONDON TRADED OPTIONS

Option		Calls Jan	Calls Apr	Calls Jul	Puts Jan	Puts Apr	Puts Jul
Allied Lyons (*441)	420	30	46	56	4½	11	18
	460	6½	24	35	23	28	35
Brit. Airways	160	9	15	20	4	7	12
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Option		Calls Feb	Calls May	Calls Aug	Puts Feb	Puts May	Puts Aug
Plessey (*210)	200	22	30	33	6½	9	11
	220	11	19	23	16	19	21
Prudential	140	18	21	21	3	5	5
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Dec. 20 Total Contracts 29,607 Calls 18,340 Puts 11,267
FT-SE Index Calls 3134 Puts 3432
*Underlying security price.

UK COMPANY NEWS

Textron offers £125m for Avdel

THE BID battle over Avdel, UK fasteners group, took a new twist yesterday as Textron, the large US conglomerate, announced a £125.2m offer, writes Nikki Tait.

Textron was revealed as a possible "white knight" for Avdel at the weekend. However, it had previously said that it would bid only if rival predator, US-based Banner Industries, accepted in respect of its 43.2 per cent stake.

Yesterday's offer is worth 92p for each Avdel share, with a loan note alternative, compared with 88p under the Banner offer.

Textron is also offering 145p cash for each 10 per cent cumulative redeemable preference share, a similar amount for each 10 per cent preference share and 150p for each 10.25 per cent preference shares.

The offer is conditional on 50 per cent acceptances.

Shareholders speaking for 35 per cent of Avdel's voting rights have indicated a preference for the Textron offer.

News of the bid brought a swift response from Banner, which noted the offer and said that "under no circumstances" would it accept in respect of the 43.2 per cent of the voting rights it owns. It therefore believed that the offer would fail.

Textron and its adviser, Schroder Wagg, deny, however, that the offer is designed as any sort of "spoiling tactic" and maintain that obtaining control is possible.

"Textron wants to win control of this company," commented Schroders last night.

Yesterday, shares in Avdel gained 1½p to 89½p, with Warburg, Avdel's merchant bank, purchasing some shares and thus keeping the price above the Banner offer price.

Last night, Textron acquired the entire class of 10 per cent cumulative redeemable preference shares - representing 1.3 per cent of the votes. These, it claims, also give important rights - such as the ability to prevent the company going private or a reduction in its capital.

Scene set for an intriguing finale

Nikki Tait on the white knight's intervention in the takeover battle

MIDNIGHT OIL was burning late at Schroder Wagg, the merchant bank, on Monday night.

Yesterday morning, the reason became public: Textron, its client and a large Rhode Island-based conglomerate, has finally decided to go ahead with a £125m bid for Avdel, the UK fasteners group.

Textron's belated intervention throws up the prospects of one of the most intriguing bid finales seen for some time. On one side stands Banner Industries, another US-based group where Wall Street financier, Mr Jeffrey Steiner, moved in three years ago. Banner owns a clutch of engineering interests, including a smaller fasteners business which has annual sales in excess of $120m (£66m). It has already bought a formidable 43.2 per cent of Avdel's voting rights.

On the other, after ten days of uncertainty, comes Textron, a multinational corporation with interests ranging from aerospace – it recently won the contract of the wing components for the latest European Airbus airliners – through to financial services, via its Avco subsidiary.

Avdel, the ongoing quoted company which finally emerged from the troubled Newman Industries group, has no doubts about which bidder it prefers.

Textron takes in engineered fastening operations in three divisions and, in 1987, sales on this front totalled $307m out of group revenues of $7.3bn. Like Avdel, Textron produces both fasteners and fastening systems, but only five per cent of its sales go outside the US.

Avdel, with an annual turnover of around £80m, sees 25 per cent of sales in the UK, 32 per cent in Continental Europe and 19 per cent in the Far East. Geographical synergy can be argued, and Textron's financial muscle could be a welcome addition given Avdel's somewhat depleted resources (a hangover from the Newman days).

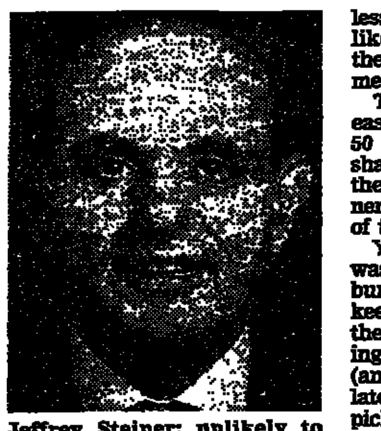
Moreover, the two companies already know each other. Cherry Textron, for example, makes and markets Avdel's Monobolt system under licence while, in the reverse direction, Avdel markets Cherry Textron aerospace fastening systems in Australia.

Banner, it should be said, has also pushed the synergy case. It picked up a fasteners business when it acquired the larger Rexnord group in 1987 and claims that its own US presence would help Avdel push into this market.

Avdel's objection rests on the lower quality of the Banner fasteners business and fears that the state of Banner's finances could impede its own progress. Its auditors, Deloitte Haskins & Sells, calculate pro forma gearing of 303 per cent, or net liabilities of $175.2m once intangibles are deducted.

Shareholders, unswayed or unconcerned by these arguements, still have reason to fall into line with the target company's wishes. Textron, after all, is offering 92p a share in cash, against Banner's final 88p. Offers for the preference shares, which carry some votes, are also better.

The obvious stumbling block to a quick and happy marriage is Mr Steiner's formidable 43 per cent holding. But is it insurmountable? Textron apparently thinks not, saying it would not have moved ahead otherwise.



Jeffrey Steiner: unlikely to dispose of 43% stake.

The new bidder already has the backing 35 per cent of Avdel's shares – shares held by a dozen institutions who indicated they would prefer the higher offer *before* even knowing the white knight's identity.

In addition, there are a few uncommitted institutions – the likes of Legal & General and the Pru – who might add another five per cent. After that, the remaining shares are held largely by small investors, and the Textron bid essentially becomes a gamble – no doubt carefully judged following a telephone campaign at the weekend – on whether the "live register" exceeds the dead one.

Mr Steiner, of course, could choose to make things easy and take a gross £5m-plus profit on the deal, but yesterday that was being firmly ruled out.

What his reaction would be if Textron scraped through the 50 per cent mark is slightly less clear: "There is a strong likelihood that I might keep the stake", was his only comment.

Textron's task is not made easier by the fact that it needs 50 per cent of the ordinary shares as well as 50 per cent of the voting rights – and Banner already holds 45.2 per cent of this class.

Yesterday, however, there was the helpful sight of Warburgs, Avdel's merchant bank, keeping the market price over the Banner offer price by buying shares on its own account (and without indemnity). And late last night, Textron itself picked up one class of preference shares which, it says, brings certain key rights.

On one level, then, Avdel is simply a complex tale which, by the narrowest of margins, may yet end happily. On another, however, it does point out one of the more dangerous elements emerging on the UK bid scene during 1988.

The swing to cash bids means that investors have increasingly little reason to look at the industrial future for companies subject to predatory attentions. All that needs to be judged is whether the cash on the table is the maximum attainable and a fair price for the company at stake.

Institutions who sold some 13 per cent of Avdel to Banner 10 days ago doubtlessly decided that money in hand at that stage was preferable to the far-from-certain possibility of a little more, a little later from their own viewpoint, probably with good reason. But Avdel's experience can only be an ominous portent for other vulnerable companies at a time when cash, not always of the most pukka sort, is still king.

Shareholders back Cambrian proposal

By Nikki Tait

SHAREHOLDERS of Cambrian and General, the UK investment trust which was once a vehicle for Mr Ivan Boesky and which is now facing a £67.9m bid from Leucadia National Corporation, yesterday formally backed a board recommendation that the trust should not be wound up.

There were no questions asked at the brief meetings to vote on this motion, nor at the annual meeting to approve the report and accounts. Mr David Hobson, the company's chairman, merely reiterated the board's rejection of the Leucadia offer, which he described as "bargain basement". The offer is pitched at 108p for each ordinary share and 120p for each capital share – discounts of 16.4 per cent and 29.5 per cent respectively.

Representatives attached to various camps – both Leucadia and some of the trust's larger shareholders – were present yesterday.

After the meeting Mr Lance Lessman, an American investor who once worked with Mr Boesky and who has recently been adding to his holding in Cambrian, indicated that his own preferred solution to the Cambrian situation was some sort of "recapitalisation" which would give shareholders a cash equivalent to Leucadia's offer but, after an injection of some new assets, would result in an ongoing "son of Cambrian" vehicle.

Mr Lessman, who emerged with a disclosable holding in January, currently has around 5 per cent of the ordinary shares and just under 1 per cent of the capital shares. There has been some contact between Mr Lessman and Warburgs, advising Cambrian, recently.

Northern Eng

Northern Engineering Industries, power generation equipment manufacturer, is asking preference shareholders in Victor Products, acquired earlier this year, to swap their paper for new preference shares. NEI is offering one 11 per cent preference share for every 10 per cent Victor preference share.

Smiths Industries $54m US expansion

By Vanessa Houlder

SMITHS INDUSTRIES, the aerospace, medical systems and industrial products group, yesterday announced a further move into the US with the acquisition of Times Microwave Systems for $53.5m (£29.4m) in cash.

This is Smiths' first deal since it bought Lear Siegler Avionics for $350m in July 1987, an acquisition that made the US responsible for half of Smiths' sales.

The acquisition is in line with Smiths' intention of building up its smaller divisions to bring them closer in size to the aerospace division – the size of which was doubled by last year's acquisition.

The purchase also fits Smiths' strategy of moving into higher technology and higher margin businesses.

TMS, of Connecticut, is involved in the physical interconnection of electronic and electrical systems. It manufactures equipment for microwave transmission systems for use in aviation, computers, communications, underwater, security and instrumentation systems.

In 1988, TMS is expected to make pre-tax profits of about $5.7m on sales of about $28m. The net assets of TMS are valued at $26m.

TMS is being sold by LPL Investment Group, a manufacturer of engineered cable, connectors, fibre optic systems and interconnect systems for the electronic, communications and aerospace industries.

Other Smiths' companies in related areas include Icore International, which makes cable protection and flexible harness systems, Fliteline, which makes high-pressure hose for hostile environments, and Hypertac, which makes multi-pin connections.

Holmes à Court buys 6% of Christies Intl

By Ray Bashford

Mr Robert Holmes à Court, the Australian businessman, has ~~returned to the acquisition path in London after his heavy~~ losses in the October 1987 share market crash, with the purchase of a 6 per cent stake in Christies International, the London auctioneer.

The announcement of Mr Holmes à Court's holding sparked speculation of an offer for the company and pushed the shares 37p higher to 645p.

The Australian was unavailable for comment last night.

Mr Holmes à Court has kept away from the public gaze since the October crash which led to the sale of his Bell Group to fellow Australian Mr Alan Bond

It was also announced that Caledonia Investments, controlled by the Cayzer family, has a holding in Christies of 6.37 per cent.

Readicut goes Dutch with aid of £26m rights issue

By Alice Rawsthorn

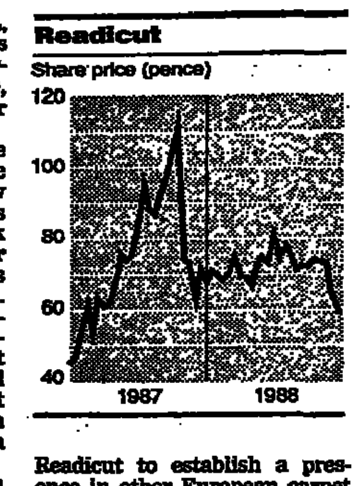
READICUT INTERNATIONAL, specialist textile concern, is expanding its European interests by buying Visscher Group, a Dutch carpet company, for £26m cash.

The acquisition will be funded by a 2-for-5 rights issue involving the issue of 54m new shares at 48p each. Schroders acted as the merchant bank and Hoare Govett as the broker to the issue. Readicut's shares slipped by 4p to 58p yesterday.

Visscher is a privately-owned business based at Genemuiden in the Netherlands. It manufactures needlepoint and tufted carpets for the contract and consumer markets – in Europe and the US – from a recently-built greenfields site.

Readicut, which has staged a series of small acquisitions chiefly in specialist textiles in recent years, is one of the larger players in the UK carpet industry with a dominant share of the car carpet market. The group's carpet companies provided a third of its £183m turnover last year.

Mr Alan Dodman, deputy chairman, said the acquisition offered an opportunity for Readicut to establish a presence in other European carpet markets before the introduction of the unified market in 1992. Readicut has been searching for opportunities to expand in Europe for some time and began discussions with Visscher six months ago.



The group also intends to introduce car carpets to Visscher – which already has the necessary facilities – to expand within the European market. Mr Dodman said it needed to build critical mass and to establish a continental production base to start to work with car manufacturers in West Germany and Belgium.

Visscher makes annualised profits of about £4m on sales of £25m. It derives 80 per cent of its sales from needlepoint and the rest from tufted carpets. During the bid discussions Readicut commissioned Price Waterhouse to audit Visscher's balance sheet because, said Mr Dodman, it had understated its past profits reflecting the permissive accountancy rules for privately-owned Dutch companies.

Readicut, which recently announced a 28 per cent increase to £6.7m in pre-tax profits on sales of £96.2m for the six months to September 30, this year expects to raise its final dividend from 2.35p to 2.47p and the total from 2.55p to 3p.

Mr Dodman said the group's specialist textile interests were "doing very well" having emerged unscathed from the competitive conditions in the textile industry.

Disposals help return Borthwicks to profit

By Andrew Hill

BORTHWICKS, foods and meat products group, returned to profit in the year to October 2 with £1m before tax, compared with losses of £2.21m in 1986-87.

The group also announced that Mr Lewis Robertson was to step down as chairman, and Mr Dennis Carey had handed over the chief executive's role to Mr Cornel Riklin.

Mr Robertson, who was appointed in 1985, said yesterday he felt he had fulfilled the task of ensuring and enabling change at Borthwicks.

The group ended the year with a cash balance of £700,000, having sold the Australian, Japanese and US meat trading operations. This compared with borrowings of £15m at the end of September 1987, and £95m in 1981.

Turnover in the period under review came down from £282.2m to £184.3m and earnings per share were 1.7p, against losses of 4.6p. The recommended final dividend of 0.5p, makes 1p (0.5p) for the year.

Borthwicks said it was reviewing the future of the so-called Mango processed meat joint and steak products. Despite satisfactory customer trials, more needed to be spent on advertising to guarantee the products' success. The operation might be sold as a fully-developed project, said the company.

Mr John Thomson, a Borthwicks director since 1986, will succeed Mr Robertson, who is also chairman of Triplex Lloyd, FJC Lilley, and Girobank Scotland, at the annual meeting on January 17.

● COMMENT

Mr Robertson leaves Borthwicks' new management team with a company which is a pale shadow of its former bloated, meat-trading self, and the promise of share options, which will be proposed at the AGM, to encourage it. He has been extremely successful at disposals, but critics are less happy about what remains. Operating profits increased just 6 per cent last year, boosted at the pre-tax level by exceptional profits of £1.17m on the sale of fixed assets (partly offset by Mango costs) and a £1.51m improvement in interest charges. Wool trading and UK meat trading are likely to be sold soon, leaving the group with comparatively small footholds in competitive food product markets. Forecast pre-tax profits of £1.5m for 1988-89 – a year in which new management will be settling in, puts the shares, unchanged at 47p, on a prospective p/e of 18. This is expensive, especially as the board reshuffle seems to have secured the Whitburgh stake from predators.

Standard Life turns down bid for Hammerson

By Nikki Tait

Standard Life, Scottish institution, yesterday said that it had no intention of accepting the £1.3bn offer for Hammerson Property & Development Corporation, Britain's third largest property group, from the Netherlands-based Rodamco.

Standard holds about 18 per cent of the Hammerson voting rights, and said the statement was made at the request of the Takeover Panel.

Yesterday, the Panel said that this somewhat unusual request arose from the fact that Mr Scott Bell, Standard managing director and a member of the Hammerson board, had said that, on legal advice, he was not participating in any board discussions on the Hammerson bid. It suggested that the combination of circumstances was in itself uncommon.

The only response from Hammerson was that it was "pleased but not surprised" at the announcement. Hammerson's share price remained well in excess of the Rodamco offer.

Stormgard £1.5m acquisitions

Two private companies engaged in the distribution and retailing of office stationery and equipment are being acquired by Stormgard for a consideration of £1.45m in shares. Allen Office Machines is being bought for £1.02m initially, met by the issue of 9.3m shares which have been conditionally placed. The other acquisition is Bridgestar, for which Stormgard is paying £430,000

Philip Harris dips to £446,000

Mainly as a result of resiting and reorganisation, Philip Harris Holdings experienced a reduction from £590,000 to £446,000 in pre-tax profit for the half year ended September

Turnover rose 11 per cent to £30.86m. The group supplies equipment and materials to the scientific, educational, industrial and medical markets.

Meanwhile, the interim dividend is held at 2p, from earnings of 3.71p (5.77p).

News Digest

BET

Pays £24m for another ADT buy

BET is to pay £24m for *Pritchard Janitorial Supplies*, the second business it has bought this year from ADT, another international services company.

Pritchard Janitorial, the largest UK operator in its field has annual turnover of about £30m. It will become part of BET's Initial Supplies subsidiary.

BET bought ADT's UK and continental European commercial cleaning businesses in June for £44m.

CAIRD GROUP

Plans £5.1m expansion

Caird Group plans to acquire certain environmental services related businesses for £5.1m. The acquisitions are Finns Waste Disposal and certain property assets and the business of J. Kirkaldy & Son (Southampton) from Energy and Marine Industries. The consideration will be satisfied by the issue of 1.16m ordinary shares and £1.7m cash.

STOREHOUSE

Buys US rights to Habitat

Storehouse, the retail group which includes Habitat, BhS and Mothercare, is buying the North American rights to the Habitat name for an undisclosed price. Storehouse said it would now be able to develop the brand on a truly international basis.

Storehouse's US home furnishing stores have traded under the Conran's name. The acquisition of the Habitat name will make it simpler to sell the same merchandise, which often has the Habitat name stamped on, in North America as in the UK.

PARKDALE

Renegotiates CBG bid terms

Parkdale Holdings, property and leisure group, has renegotiated the terms of its acquisition of Clifford Barnett Group, a property company specialising in leisure developments.

Parkdale said yesterday that it wanted to work more closely with CBG and had found it more convenient to drop the "earn-out" arrangement, rather than paying CBG to work on Parkdale projects. Under the new agreement, Parkdale will pay a maximum of £5m in cash and shares. The initial deal included profit-related payments worth a maximum of £15m in cash up to April 1998.

SECURIGUARD

Expands US operations

Securiguard has expanded its US operations through the acquisition of two companies engaged in security and cleaning for an initial consideration of $5.5m (£3m).

The payment for Premier Management Group is $3m cash plus shares to the value of $500,000. Further payment depends on performance to a maximum total consideration of $4.5m. Spence Protective Agency Inc is being acquired for an initial payment of $2m cash, with a further deferred sum up to $500,000payable after 12 months.

MELTON MEDES

Buys Delaney family stake

Melton Medes, the private industrial company headed by Mr Nathu Ram Puri, has bought the Delaney family's 25.1 per cent stake in Delaney Group, a furniture manufacturer and shopfitter, for about £5.36m in cash.

Mr Puri is to become non-executive chairman of the company – his first chairmanship of a quoted company – replacing Mr Robert Delaney, the current executive chairman. Mr Puri said he had no ambitions to mount a full bid for the company.

SEP Industrial

Advance to £1.32m for year

USM-quoted SEP Industrial Holdings, which trades in securities and makes fasteners and components, expanded turnover from £11.82m to £17.87m and pre-tax profit from £868,000 to £1.32m in the year ended September 30 1988. Final dividend is 0.45p, for a total of 0.75p, from earnings of 3.01p (2.7p).

The directors also reported the conditional purchase of a 50.7 per cent holding in Combori NV and three subsidiaries, satisfied by £200,000 cash and 8m ordinary shares.

TOTAL SYSTEMS

Profits fall to £51,996

Total Systems, computer software and hardware group which joined the USM last March, reported pre-tax profits down from £482,334 to £51,996 in the half year to end-September. Turnover declined 26 per cent to £1.09m.

Directors described the result as "disappointing in view of the prospects at the beginning of the period".

After tax of £14,250 (£151,167), earnings per 5p share dipped to 0.37p (3.31p). No interim dividend is payable.

TR TRUSTEES

Increase in net assets

Over the six months ended November 30 1988, TR Trustees Corporation lifted its net asset value from 142.9p to 147.2p. Twelve months earlier it stood at 114.6p.

Earnings for the half year moved up from 1.03p to 1.73p, and the interim dividend is raised to 1.2p (1p). A final of at least 1.3p is forecast. Total revenue was £6.4m (£4.69m), including franked £5.06m (£3.82m). Net revenue worked through at £3.1m (£1.85m).

UK COMPANY NEWS

High Court refuses injunction to block GEC/Siemens takeover bid

Judge says Plessey must await EC decision

By Raymond Hughes, Law Courts Correspondent

PLESSEY, the UK electronics group, has failed to put a temporary block on the £1.7bn hostile takeover bid being made for it in a joint venture by the General Electric Company and Siemens of West Germany.

A High Court judge yesterday rejected Plessey's plea for temporary injunctions stopping the bid going ahead until the European Commission has decided whether it breaches EC competition law.

The Commission expects to decide within the next six weeks whether to impose interim measures against the bid.

Mr Justice Morritt said that although Plessey had "an arguable case" on the applicability to the agreement of Article 85 of the Treaty of Rome, the "balance of justice or injustice" came down in favour of not granting an injunction.

Only by not granting an injunction could he avoid in effect giving final judgment in favour of Plessey before the Commission had reached a decision, he said.

"Plessey will suffer damage from uncertainty but the period may well be shorter if I withhold an injunction than if I grant one."

His decision, he said, would enable the bid to be made in accordance with the Takeover Panel's rules and timetable. At the same time, the post-acquisition part of the agreement, which involved the restructuring of Plessey, could not be carried out until the Commission had decided whether Article 85 applied.

Plessey had contended that the bid was the result of an "unlawful marriage" between GEC and Siemens and would breach Article 85(1) by distorting competition within the Community.

Plessey also claimed that the joint venture broke an undertaking given by GEC to the Trade and Industry Secretary in June 1987 not, without his consent, to acquire more than 15 per cent of Plessey.

GEC and Siemens denied the agreement was in any way anti-competitive and GEC denied breaking the undertaking.

The judge said that it could not be said that the carrying out of the agreement would result in the acquisition of over 15 per cent of Plessey shares. Whether it did would depend on how Plessey's shareholders regarded the bid and, if more than 15 per cent accepted, the Trade and Industry Secretary's sanction would be required before the agreement could be implemented.

"Accordingly, in my judgment the agreement between the defendants to make a bid, and the making of the bid, cannot possibly infringe the undertaking."

The judge said that the acquisition by one company of shares in another did not of itself come within Article 85 but the potential effects of such an acquisition might do so.

Plessey claimed that the provision in the agreement for the division of Plessey's business between GEC and Siemens after the acquisition might well have a prohibitive effect within Article 85.

GEC and Siemens denied that the agreement came within Article 85(1), but said that even if it did it would be exempted under Article 85(3).

"This is not an issue which can or should be determined at this stage. Plainly there is an arguable case as to the applicability of Article 85 as a whole to the agreement as a whole," the judge said.

He said that Plessey claimed that the agreement restricted competition in its shares by precluding GEC and Siemens from bidding against each other.

The evidence from GEC and Siemens was that each had, for different reasons, decided not to make independent offers. That, however, did not alter the fact that, had there not been an agreement and a third party had made a bid for Plessey, GEC and Siemens "might have been goaded into making separate bids," the judge said.

Looking at the practical effects of not granting an injunction, he said that the bid would no doubt go ahead and might or might not succeed. In the meantime Plessey would continue to suffer damage from uncertainty.

It was inconceivable that the post-acquisition part of the agreement would be implemented without the Commission's blessing. Therefore Plessey's contention that "it will be swallowed up and dismembered" was "quite unrealistic."

The most significant argument from GEC and Siemens about the effect on them of an injunction was that it would destroy the bid and prevent them ever making another. They said it would prevent them complying with the Takeover Panel's rules and timetable and that there was no prospect of the Panel extending the time limit for the offer being made to accommodate the delay caused by an injunction.

The judge agreed that an injunction would "either be determinative of the action against the defendants or would prolong the period of uncertainty by which Plessey claims it has been damaged."

He said that the Commission had instituted its own investigation. It had the power to stop implementation and the post-acquisition part of the agreement would not be implemented without its approval.

Saudi Inv has 14.9% stake in SI

Saudi Investment Company of Geneva has taken a 14.9 per cent holding worth about £625,000 in SI Group, manufacturer of drinks dispensing equipment. SI issued a section 212 order under the Companies Act, to discover the beneficial owner of the shares, which are held by Bankers Trust Nominees. Mr Hugh Gibson, SI's chairman, said he hoped to talk to Saudi about its intentions.

Iceland has acceptances for 30% of Bejam

By Clare Pearson

YESTERDAY AFTERNOON valid acceptances of Iceland Frozen Foods' £238m hostile offer for Bejam stood at 37.82m shares, or 30 per cent. Today is the final close of the offer's partial cash portion.

Bejam's shares, valued at 181.2p under this part of the offer, closed at 157p yesterday.

Iceland also has 750,000 shares acquired prior to the bid and has received incomplete acceptances for a further 1.29m Bejam shares.

Mr Malcolm Walker, Iceland's chairman, said he was delighted with this level of acceptances. But Mr John Apthorp, Bejam's chairman, said the offer was "set to fail."

Bejam's founding Apthorp family, which accounts for 30 per cent of the equity, has made it clear that it will not accept the bid.

The all-share offer may be extended for a further eight days from today.

F&C Smaller

F&C Smaller Companies net asset value 82.7p at October 31 (78.1p). Interim dividend 0.4p.

Tiphook's 73% rise meets City targets

By Kevin Brown, Transport Correspondent

TIPHOOK, Europe's biggest container and trailer rental group, yesterday announced a 73 per cent increase in pre-tax profits to £4.5m, from £2.6m, for the six months to October 31. Turnover was up by 60 per cent to £45.1m.

The results were in line with City expectations, and most analysts said they were maintaining pre-tax profit forecasts for the full year at between £17m and £18m. The shares closed unchanged at 418p.

Mr Robert Montague, chairman, said the results partly reflected a trend towards a more even distribution of profits throughout the two halves of the year. The interim dividend is increased by 30 per cent to 2.15p (1.65p).

Tiphook Container Rental increased its fleet by 22,000 TEU (standard container units) during the accounting period, and was expected to reach 170,000 TEU by the end of April.

TCR, which is the biggest container rental company outside the US, was said to be benefiting from rising rental rates on the back of continuing strong demand. Fleet utilisation was 97 per cent.

Central Trailer Rental added just under 2,000 trailers to its fleet, and was operating 9,800 trailers at the end of the six months.

The results exclude the £71m acquisition of Rentco, which has been consolidated from November 12, and is expected to contribute around £4m to full year profits before tax.

However, Mr Montague said the merger of the CTR and Rentco fleets had been completed. Eight depots have been closed and around 70 people made redundant. Rationalisation costs will be just over £1m.

CTR, which has been renamed Central Trailer Rentco, now has a fleet of more than 16,000 trailers, which is expected to grow to 18,000 by the year end. That compares with around 12,000 operated by TIP, the second biggest trailer rental operator.

Tiphook Rail, the railway wagon rental subsidiary, has increased its fleet to 600 wagons, and improved utilisation rates to around 70 per cent. The company is said to be well placed to benefit from a forecast increase in European rail freight traffic, but no contribution to profits is expected until at least 1990.

Transformed Braithwaite rises sharply to £1.82m

By Clare Pearson

BRAITHWAITE, the former engineering concern transformed into an industrial services and specialist products company, yesterday reported pre-tax of £1.82m, up from £905,000, in the six months to end-September. Earnings per share came out 21 per cent higher at 6.9p.

The company is paying an interim dividend of 1p, the first for four years, to reflect the less seasonally-weighted nature of its business. The final dividend is expected to be "significantly in excess" of last time's 4.5p.

Mr Andrew Fitton, chief executive, said profits in the interim figures broke down roughly as to 80 per cent for industrial services, with the balance mainly made up of Godiva, the portable pumps concern acquired in May as part of the £31m takeover of SPP, which forms the nucleus of the specialist products division.

The SPP engineering businesses acquired along with Godiva were not included in the figures. Mr Fitton said they were now close to being sold at around their asset value of between £10m and £13m. It was also hoped to dispose of Braithwaite's own engineering interests by the end of the year.

After the acquisition of SPP, borrowings peaked at about £35m, making the group more than 300 per cent geared. But Mr Fitton said he did not see this as a cause for concern given its strong cash flow and healthy interest cover. After disposals, gearing is expected to be close to 100 per cent by the year-end.

Within the industrial services division, Andrews and Sykes, both of which are involved in specialist equipment hire, were in the process of being integrated to provide significant cost-savings as well as marketing advantages.

Godiva's profits since acquisition were described as "not yet meeting requirements" but the company was expected to make a good contribution for the full year. Sykes was said to have exceeded best expectations.

Turnover amounted at £24.5m (£10.64m). Braithwaite achieved pre-tax profits of £3.72m in the last full financial year, during which Mr Fitton, who bought into it in January 1987, began its transformation. In the previous year it returned a loss of £248,000.

Expansion costs rein in Sutcliffe Speakman rise

By Vanessa Houlder

SUTCLIFFE SPEAKMAN, the activated carbons, solvents recovery plant and chemicals trading group, yesterday announced an 11 per cent rise in pre-tax profits to £633,000, from £572,000, for the six months to September 30. Turnover increased by 52 per cent to £15.7m (£10.3m).

The company said the results, which were affected by disruption costs of between £300,000 and £500,000 resulting from the refurbishment and expansion programme of its carbon plant at Leigh, were broadly in line with expectations. The share price fell 3p to 125p.

As the benefits of its strategy were unlikely to come through immediately, the company said it would be satisfied to improve on last year's full result of £1.62m in the present year. Further disruption resulting from the carbon plant expansion could cost another £200,000 in the second half, it said. In view of its expansion programme, the company was not recommending an interim dividend.

The profits improvement was held back by interest charges which more than doubled to £280,000 (£129,000). There was also a sharp increase in the tax charge to £180,000 (£100,000). Together with a 10 per cent increase in share capital, this resulted in a fall in earnings per share from 3.1p to 2.6p.

Performance of Sutcliffe Croftshaw, the solvent recovery division, was described as encouraging. The company said it was particularly pleased with the first full six months trading of Barnebey & Sutcliffe, its US subsidiary.

Following the reorganisation of the merchanting companies and the acquisitions of John F Seyfried, Diamond Chemical and Ivory & Ledoux, the division showed much improved results.

Kleinwort Charter

Kleinwort Charter Investment Trust net assets per share were 150.2p as at November 30 1988 compared with 128.7p a year earlier. Final dividend 2.3p making 3.25p (2.875p).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding dividend	Total for year	Total last year
Borthwicks ....fin	0.5	Feb 13	nil	1	0.5
Braithwaite ....int	1†	Feb 24	nil	-	4.5
F&C Smaller Cos ....int	0.4	-	0.34	-	1.14
Harris (Philip) ....int	2	Feb 2	2	-	5.5
K'wort Charter ....fin	2.3	Apr 7	2	3.25	2.875
SEP Industrial §....fin	0.45	-	-	0.75	-
Tiphook ....int	2.15†	Jan 31	1.65	-	5.38
TR Trustees ....int	1.2	-	1	-	2.3

Dividends shown pence per share net except where otherwise stated. *Equivalent after allowing for scrip issue. †On capital increased by rights and/or acquisition issues. §USM stock. §§Unquoted stock. ¶Third market.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetables.

TODAY

Interims- Arlen, Baileys, Northumbrian Fine Foods, Sterling Industries.

Finals- Bankers Inv Trust, Electronic Data Processing, IOM Enterprises, River Plate & General.

FUTURE DATES

Interims-

Murray Electronics	Mar. 28
Murray Income Trust	Feb. 28
Murray Smaller Markets	Jan. 24
Murray Ventures	Mar. 30
Radiant Metal Finishing	Dec. 22

Finals-

Copenhagen Handelsbank	Feb. 16
Flexello Castors & Wheels	Dec. 29
ICI	Feb. 23
Murray International Tst	Mar. 2
Sturge	Jan. 18

All of these securities having been sold, this announcement appears as a matter of record only and is neither an offer to sell nor a solicitation of an offer to buy these securities in Hong Kong Telecommunications Limited.

877,500,000 Shares

Hong Kong Telecommunications Limited
香港電訊有限公司

Hong Kong Offering

607,500,000 Shares

The undersigned acted as underwriters in connection with the Hong Kong Offering.

Price HK$4.55 Per Share

Prudential-Bache Capital Funding

Baring Brothers & Co., Limited

Wardley Corporate Finance Limited

United States Offering

6,024,793 American Depositary Shares
Representing 180,743,790 Shares

These shares have been distributed in the United States by the undersigned.

Price US$17.50 Per American Depositary Share

Prudential-Bache Capital Funding

Baring Securities Inc.

Goldman, Sachs & Co.

Merrill Lynch Capital Markets

Bear, Stearns & Co. Inc. · **The First Boston Corporation** · **Alex. Brown & Sons** Incorporated · **Dillon, Read & Co. Inc.** · **Donaldson, Lufkin & Jenrette** Securities Corporation

Hambrecht & Quist Incorporated · **Kidder, Peabody & Co.** Incorporated · **Lazard Frères & Co.** · **Montgomery Securities**

PaineWebber Incorporated · **Robertson, Colman & Stephens** · **Salomon Brothers Inc** · **Shearson Lehman Hutton Inc.**

Smith Barney, Harris Upham & Co. Incorporated · **S.G. Warburg Securities** · **Wertheim Schroder & Co.** Incorporated · **Dean Witter Capital Markets**

Arnhold and S. Bleichroeder, Inc. · **Bateman Eichler, Hill Richards** Incorporated · **Blunt Ellis & Loewi** Incorporated · **Dain Bosworth** Incorporated · **A. G. Edwards & Sons, Inc.**

Robert Fleming Inc. · **Legg Mason Wood Walker** Incorporated · **Oppenheimer & Co., Inc.** · **Piper, Jaffray & Hopwood** Incorporated

The Robinson-Humphrey Company, Inc. · **Rothschild Inc.** · **Thomson McKinnon Securities Inc.** · **Wheat, First Securities, Inc.**

Robert W. Baird & Co. Incorporated · **Sanford C. Bernstein & Co., Inc.** · **Butcher & Singer Inc.** · **Cable, Howse & Ragen** Incorporated

Cowen & Co. · **Furman Selz Mager Dietz & Birney** Incorporated · **Janney Montgomery Scott Inc.** · **Ladenburg, Thalmann & Co. Inc.**

C.J. Lawrence, Morgan Grenfell Inc. · **Mabon, Nugent & Co.** · **McDonald & Company** Securities, Inc. · **Needham & Company, Inc.**

First Albany Corporation · **Gabelli & Company, Inc.** · **Gruntal & Co., Incorporated** · **Howard, Weil, Labouisse, Friedrichs** Incorporated

International Offering

89,256,210 Shares

These shares have been distributed outside of Hong Kong and the United States by the undersigned.

Price US$.5834 Per Share

Prudential-Bache Capital Funding · **Baring Brothers & Co., Limited**

CL-Alexanders Laing & Cruickshank · **Credit Suisse First Boston Limited** · **Goldman Sachs International Limited** · **Merrill Lynch International & Co.**

Nomura International Limited · **NM Rothschild & Sons Limited** · **SBCI Swiss Bank Corporation Investment banking**

Algemene Bank Nederland N.V. · **Amsterdam-Rotterdam Bank N.V.** · **Banca Commerciale Italiana** · **Banque Bruxelles Lambert S.A.**

Banque Indosuez · **Banque Paribas Capital Markets Limited** · **Daiwa Europe Limited** · **Dresdner Bank** Aktiengesellschaft

Société Générale · **Swiss Volksbank** · **Union Bank of Switzerland (Securities) Limited**

In connection with this offering the sellers of the shares of Hong Kong Telecommunications Limited were advised by the undersigned.

Cable and Wireless (Far East) Limited
by
Prudential Asia Capital Limited

The Financial Secretary Incorporated
(a Hong Kong Government entity)
by
Baring Brothers & Co., Limited

December 19, 1988

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Technical demand helps dollar

THE US dollar continued to improve in currency markets yesterday, having paused briefly as US Gross National Product and consumer prices data came in at the lower end of expectations.

Demand for the US unit is being driven primarily by the corporate sector, as institutions move to balance their books for the year end. The more speculative elements of the market have retired to the side lines. Memories of the co-ordinated central banks squeeze on dollar bears last January are still fresh in many minds and, consequently, most operators have been discouraged from wandering far from a square book.

The dollar broke through technical resistance at DM1.7720 and Y125.00, but there was no intervention by central banks. This reflects the apparent lack of concern at the dollar's rise, given that trading volume is extremely thin and is unlikely to present a true picture of dollar sentiment.

Revisions to US third quarter GNP put growth at 2.5 p.c., slightly below expectations, while consumer prices rose by just 0.3 p.c., also below the median forecast. Despite these figures, traders remain convinced that the US authorities are adopting a slightly firmer monetary stance. This may well prove to be a wise precaution, since the market's view on the dollar is unlikely to take a clear form until after the new US administration takes over in January.

The extent of the dollar's rise yesterday inevitably tempted some traders to take a profit, and the US unit finished below its best level, but still up from Monday's close.

The dollar closed at DM1.7760 up from DM1.7620, and Y125.10 compared with Y124.05. Elsewhere, it finished at SFr1.4980 from SFr1.4865 and FFr6.0700 against FFr6.0200. On Bank of England figures, the dollar's exchange rate index rose from 93.9 to 94.5.

Sterling fell against a firmer dollar and managed to show an improvement over most of its European partners only during the morning. UK money supply figures were better than expected, in that monetary growth and lending expanded at a slower rate than most forecasts, and UK interest rates fell as a result.

However, while a slow down in consumer spending is always welcome, most traders do not expect a fall in UK bank base rates just yet, given that the authorities are determined to maintain the value of sterling.

In addition, sentiment is likely to remain unsettled at least until the release of UK trade figures for November on Friday. The pound's exchange rate index finished at 77.8, down from 78.0 at the start and the close on Monday.

The pound closed at $1.8020 down from $1.8225, and lost ground against the D-Mark to DM3.2000 from DM3.2125. At one point the pound touched a high of DM3.2150. Against the yen it fell to Y225.50 from Y226.00. Elsewhere, it finished at SFr2.7000 from SFr2.7100 and FFr10.9375 compared with FFr10.9725.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu Dec.20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	43.5789	+2.64	+0.84	±1.5344
Danish Krone	7.85212	8.03517	+2.33	+0.53	±1.5404
German D-Mark	2.05853	2.07814	+0.95	-0.85	±1.0981
French Franc	6.90403	7.10173	+2.86	+1.06	±1.3674
Dutch Guilder	2.31943	2.34606	+1.15	-0.65	±1.5012
Irish Punt	0.768411	0.777452	+1.18	-0.62	±1.6684
Italian Lira	1483.58	1530.66	+3.17	+2.19	±4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

£ IN NEW YORK

Dec.20	Latest	Previous Close
£ Spot	1.7975-1.7985	1.8210-1.8215
1 month	0.52-0.50pm	0.48-0.49pm
3 months	1.46-1.43pm	1.48-1.46pm
12 months	4.25-4.15pm	4.90-4.80pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	Dec.20	Previous
8.30 am	78.0	78.0
9.00 am	77.9	78.0
10.00 am	77.9	78.0
11.00 am	77.9	77.9
Noon	77.8	78.0
1.00 pm	77.8	77.9
2.00 pm	77.8	78.0
3.00 pm	77.8	77.9
4.00 pm	77.8	78.0

CURRENCY RATES

Dec.20	Bank rate %	Special* Drawing Rights	European Currency Unit
Sterling	-	0.742233	0.647913
U.S Dollar	6.50	1.36324	1.17045
Canadian $	8.75	1.62348	1.40513
Austrian Sch.	4	16.7599	14.6178
Belgian Franc	7.75	49.9549	43.5789
Danish Krone	7½	9.20203	8.03517
Deutsche Mark	3½	2.38143	2.07814
Neth. Guilder	4.5	2.68821	2.34606
French Franc	9½	8.13906	7.10173
Italian Lira	12½	1753.19	1530.66
Japanese Yen	2½	168.208	146.365
Norway Krone	8	8.81636	7.70568
Spanish Peseta	-	153.816	134.392
Swedish Krona	8½	8.24258	7.19244
Swiss Franc	3.5	2.00888	1.75568
Greek Drach.	20½	198.020	172.759
Irish Punt	-	N/A	0.777452

*All SDR rates are for Dec.19

CURRENCY MOVEMENTS

Dec.20	Bank of England Index	Morgan** Guaranty Changes %
Sterling	77.8	-14.3
U.S Dollar	94.5	-13.5
Canadian Dollar	84.3	-2.2
Austrian Schilling	135.2	+9.9
Belgian Franc	98.5	-5.8
Danish Krone	89.2	-0.1
Deutsche Mark	145.2	+21.4
Swiss Franc	167.0	+19.7
Guilder	133.4	+13.6
French Franc	68.9	-15.4
Lira	45.8	-19.9
Yen	250.0	+86.3

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1975=100) **Rates are for Dec.19.

OTHER CURRENCIES

Dec.20	£	$
[illegible]	[illegible]	[illegible]
S Af (Fn)	6.8375-6.9690	3.7880-3.8610
Taiwan	51.10-51.35	28.10-28.20
U.A.E.	6.6285-6.6345	3.6725-3.6735

*Selling rate

POUND SPOT- FORWARD AGAINST THE POUND

Dec.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8015-1.8200	1.8015-1.8025	0.48-0.45cpm	3.10	1.47-1.42pm	3.21
Canada	2.1645-2.1820	2.1715-2.1725	0.47-0.39cpm	2.38	1.03-0.91pm	1.79
Netherlands	3.60¾-3.63	3.60¾-3.61¾	2¼-2⅛cpm	7.27	6¾-6⅛pm	6.85
Belgium	66.90-67.60	67.05-67.15	35-29cpm	5.71	91-81dis	5.12
Denmark	12.37-12.44½	12.37-12.38	5⅜-4⅝orepm	4.85	15-14¼pm	4.73
Ireland	1.1960-1.2050	1.1980-1.1990	0.56-0.46ppm	5.11	1.54-1.35pm	4.82
W. Germany	3.19½-3.21½	3.19¾-3.20¾	2-1⅞pfpm	7.27	5¾-5½pm	7.04
Portugal	264.70-267.50	265.25-266.25	12-50cdis	-1.40	81-184dis	-1.99
Spain	207.00-208.00	207.05-207.35	20-9cpm	0.06	48-26pm	0.71
Italy	2352¾-2368½	2356½-2357½	2-1lirepm	0.76	5-3pm	0.68
Norway	11.85¾-11.92	11.85¾-11.86¾	1½-¼orepm	0.95	3½-2⅞pm	1.07
France	10.91¾-10.99	10.93¾-10.94¾	4-3¼cpm	4.25	11¼-10⅝pm	3.98
Sweden	11.06¾-11.13½	11.06¾-11.07¾	2⅞-2⅜orepm	2.98	7-6¼pm	2.42
Japan	224¾-227	225-226	1¾-1½ypm	8.31	4⅝-4⅜pm	7.98
Austria	22.44-22.61	22.55-22.59	13⅝-12⅞gropm	7.05	38⅞-36¼pm	6.71
Switzerland	2.69½-2.71¾	2.69½-2.70½	1⅞-1¾cpm	8.06	5¼-5pm	7.50

Belgian rate is convertible francs. Financial franc 67.25-67.35. Six-month forward dollar 2.81-2.76cpm 12 months 4.80-4.70cpm

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR

Dec.20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8015-1.8200	1.8015-1.8025	0.48-0.45cpm	3.10	1.47-1.42pm	3.21
Ireland†	1.5010-1.5110	1.5035-1.5045	0.27-0.32cdis	-2.36	0.55-0.65dis	-1.60
Canada	1.1980-1.2015	1.2005-1.2015	0.06-0.08cdis	-0.70	0.41-0.44cdis	-1.42
Netherlands	1.9940-2.0105	2.0045-2.0055	0.73-0.70cpm	4.27	1.83-1.79pm	3.61
Belgium	37.05-37.35	37.20-37.30	8.80-6.80cpm	2.51	19.50-15.50pm	1.87
Denmark	6.83½-6.88¼	6.86½-6.87	1.25-0.85orepm	1.83	2.80-2.40pm	1.51
W. Germany	1.7665-1.7815	1.7755-1.7765	0.65-0.62pfpm	4.28	1.73-1.69pm	3.85
Portugal	147¼-148	147¼-147¾	50-70cdis	-4.87	160-210dis	-5.01
Spain	114.15-115.05	114.60-114.70	20-30cdis	-2.61	68-78dis	-2.54
Italy	1298-1311½	1307¾-1308¾	2.00-3.00liredis	-2.29	7.90-8.90dis	-2.57
Norway	6.55-6.59	6.58-6.58½	1.00-1.30oredis	-2.10	3.40-3.80dis	-2.19
France	6.03¾-6.08½	6.06¾-6.07¾	0.60-0.50cpm	1.09	1.20-1.00pm	0.72
Sweden	6.12-6.16½	6.14¼-6.14¾	0.05p-0.15oredis	-0.10	1.10-1.50dis	-0.85
Japan	124.55-125.25	125.05-125.15	0.57-0.54ypm	5.32	1.51-1.48pm	4.78
Austria	12.43-12.51¼	12.49½-12.50	4.40-3.80gropm	3.95	12.00-10.40pm	3.60
Switzerland	1.4900-1.5060	1.4975-1.4985	0.61-0.57cpm	4.72	1.61-1.56pm	4.22

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 37.30-37.40.

EURO-CURRENCY INTEREST RATES

Dec.20	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	12¾-12½	12¾-12½	12¹³⁄₁₆-12⁹⁄₁₆	13-12⅞	12⅞-12¾	12¹³⁄₁₆-12⅝
US Dollar	8¹¹⁄₁₆-8⁹⁄₁₆	8¹³⁄₁₆-8⅝	9⅜-9¼	9⅝-9½	9⅞-9¾	9⅞-9¾
Can. Dollar	9½-9¼	9¾-9⅝	10⅜-10¼	10⅝-10½	11⅛-10⅞	11¼-11
D. Guilder	5¾-5½	5¾-5½	5⅝-5⅝	5⅞-5⅝	5⅞-5¾	5⅞-5¾
Sw. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Deutschmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fr. Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lire	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Fin)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
B. Fr. (Con.)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D. Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 9⅝-9½ per cent; three years 9⅝-9½ per cent; four years 9⅝-9½ per cent; five years 9⅝-9½ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

Dec.20	£	$	DM	Yen	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1	1.802	3.200	225.5	10.938	2.700	3.613	2357	2.172	67.10
$	0.555	1	1.776	125.1	6.070	1.498	2.005	1308	1.205	37.24
DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	0.844	1.129	736.6	0.679	20.97
YEN	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	11.97	16.02	10452	9.632	297.6
F Fr.	[illegible]	[illegible]	[illegible]	[illegible]	10.	2.468	3.303	2155	1.986	61.35
S Fr.	[illegible]	[illegible]	[illegible]	[illegible]	4.051	1	1.338	873.0	0.804	24.85
H Fl.	[illegible]	[illegible]	[illegible]	[illegible]	3.027	0.747	1	652.4	0.601	18.57
Lira	[illegible]	[illegible]	[illegible]	[illegible]	4.641	1.146	1.533	1000.	0.922	28.47
C $	0.460	0.830	1.473	103.8	5.036	1.243	1.663	1085	1	30.89
B Fr.	1.490	2.686	4.769	336.1	16.30	4.024	5.385	3513	3.237	100.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100.

FINANCIAL FUTURES

Boosted by inflation data

PRICES OF dollar and sterling based interest rate contracts rose on Liffe yesterday, following encouraging news on inflation.

Demand was strong for US Treasury bond futures in Chicago, prompting covering of short positions. On Liffe, March delivery bonds gained a full point to 89-18.

Sentiment was boosted by a smaller than expected rise in November US consumer prices, and a downward revision to third quarter GNP. A firm dollar also lent support to the contract.

March short sterling climbed 6 points to the day's peak of 87.42 on news that sterling M4 lending rose £5.6bn in November, compared with market expectations of around £6bn, and against £6.1bn in October. M0 money supply rose 0.2 p.c., compared with forecasts of around 0.5 p.c. Short sterling closed at 87.39, against 87.27 on Monday.

March long gilt futures showed a similar performance, improving on signs of a slowdown in the UK economy, touching 96-05, and closing at 96-00, compared with 95-19 previously.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
90	602	738	2	2
92	407	544	7	8
94	220	361	20	25
96	63	231	63	59
98	23	125	223	153
100	7	43	407	307
102	2	18	602	446

Estimated volume total, Calls 2713 Puts 532
Previous day's open int. Calls 16210 Puts 13712

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls-settlements Mar	Calls-settlements Jun	Puts-settlements Mar	Puts-settlements Jun
84	549	545	13	43
86	363	416	27	114
88	225	252	53	150
90	113	201	141	263
92	33	117	261	415
94	14	48	442	546
96	6	—	634	—

Estimated volume total, Calls 60 Puts 135
Previous day's open int. Calls 2004 Puts 4021

LIFFE FT-SE INDEX FUTURES OPTIONS

Strike Price	Calls-settlements Dec	Calls-settlements Mar	Puts-settlements Dec	Puts-settlements Mar
16500	1345	1640	0	70
17000	845	1223	0	153
17500	346	864	1	294
18000	16	574	171	504
18500	0	358	655	788
19000	0	208	1155	1138
19500	0	113	1655	1543

Estimated volume total, Calls 0 Puts 0
Previous day's open int. Calls 0 Puts 6

LIFFE £/$ OPTIONS

£25,000 (cents per £1)

[illegible]

LIFFE EURODOLLAR OPTIONS

$1m points of 100%

[illegible]

LIFFE SHORT STERLING

[illegible]

PHILADELPHIA SE £/$ OPTIONS

£31,250 (cents per £1)

[illegible]

LONDON SE £/$ OPTIONS

£12,500 (cents per £1)

[illegible]

LONDON (LIFFE)

20-YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

7-10 YEAR 9% NOTIONAL GILT £50,000 32nds of 100%

[illegible]

6% NOTIONAL LONG TERM JAPANESE GOVT. BOND Y100m 100ths of 100%

[illegible]

THREE MONTH STERLING £500,000 points of 100%

[illegible]

FT-SE 100 INDEX £25 per full index point

[illegible]

THREE MONTH EURODOLLAR $1m points of 100%

[illegible]

US TREASURY BONDS 8% $100,000 32nds of 100%

[illegible]

6% NOTIONAL GERMAN GOVT. BOND DM 250,000 100ths of 100%

[illegible]

Estimated Volume 4597 (1152)
Previous day's open int. 10363 (10159)

POUND-$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8020	1.7974	1.7876	1.7743	1.7545

IMM-STERLING $ per £

	Latest	High	Low	Prev.
Mar	1.7936	1.7960	1.7898	1.8082
Jun	1.7790	1.7800	1.7770	1.7932
Sep	1.7620	-	1.7600	1.7812

CHICAGO

U.S. TREASURY BONDS (CBT) 8% $100,000 32nds of 100%

[illegible]

U.S. TREASURY BILLS (IMM) $1m points of 100%

[illegible]

JAPANESE YEN (IMM) Y12.5m $ per Y100

[illegible]

DEUTSCHE MARK (IMM) DM125,000 $ per DM

[illegible]

SWISS FRANC (IMM) SFr 125,000 $ per SFr

[illegible]

THREE-MONTH EURODOLLAR (IMM) $1m points of 100%

[illegible]

STANDARD & POORS 500 INDEX $500 times index

[illegible]

EUROPEAN OPTIONS EXCHANGE

[illegible]

TOTAL VOLUME IN CONTRACTS : 57,381

A=Ask B=Bid C=Call P=Put

BASE LENDING RATES

	%		%		%
ABN Bank	13	City Merchants Bank	13	NatWestminster	13
Adam & Company	13	Clydesdale Bank	13	Northern Bank Ltd	13
AAB - Allied Arab Bk	13	Comm. Bk.N.East	13	Norwich Gen. Trust	13
Allied Irish Bank	13	Co-operative Bank	*13	PRIVATbanken Limited	13
● Henry Ansbacher	13	Coutts & Co	13	Provincial Bank PLC	14
ANZ Banking Group	13	Cyprus Popular Bk	13	R. Raphael & Sons	13
Associates Cap Corp	12	Dunbar Bank PLC	13	Roxburghe G'rantee	13½
Authority Bank	13	Duncan Lawrie	13	Royal Bk of Scotland	13
● B & C Merchant Bank	13	Equatorial Bank plc	13	Royal Trust Bank	13
Bank of Baroda	13	Exeter Trust Ltd	13½	● Smith & Williamson Secs.	13
Banco Bilbao Vizcaya	13	Financial & Gen. Bank	13	Standard Chartered	13
Bank Hapoalim	13	First National Bank Plc.	14	TSB	13
Bank Leumi (UK)	13	● Robert Fleming & Co.	13	United Bk of Kuwait	13
Bank Credit & Comm	13	Robert Fraser & Ptnrs.	13½	United Mizrahi Bank	13
Bank of Cyprus	13	Girobank	13	Unity Trust Bank Plc	13
Bank of Ireland	13	● Guinness Mahon	13	Western Trust	13
Bank of India	13	HFC Bank plc	13	Westpac Bank Corp.	13
Bank of Scotland	13	● Hambros Bank	13	Whiteaway Laidlaw	13½
Banque Belge Ltd	13	Heritable & Gen Inv Bnk	13	Yorkshire Bank	13
Barclays Bank	13	● Hill Samuel	§13		
Benchmark Bank PLC	13	C. Hoare & Co.	13		
Berliner Bank AG	13	Hongkong & Shangh	13		
Brit Bk of Mid East	13	● Leopold Joseph & Sons	13		
● Brown Shipley	13	Lloyds Bank	13		
Business Mtge Tst	13½	Meghraj Bank Ltd	13		
CL Bank Nederland	13	McDonnell Douglas Bnk	13		
Central Capital	13	Midland Bank	13		
● Charterhouse Bank	13	Mortgage Express Ltd.	‡13.95		
Citibank NA	13	Mount Banking Corp.	13		
		Nat Bk. of Kuwait	13		

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MONEY MARKETS

London rates fall

THERE WAS a decline in London money market rates yesterday after better than expected UK money supply and bank lending figures for November.

Dealers said that signs of a slowdown in the UK economy are beginning to appear. There remains some doubt about whether bank base rates have peaked, but in general confidence has improved. Three-month interbank fell to 12¹⁵⁄₁₆-12¹³⁄₁₆ p.c. from 13¹⁄₁₆-12¹⁵⁄₁₆ p.c.

The Bank of England initially forecast a money market credit shortage of £300m, but revised this to £200m at noon, and to £150m in the afternoon.

UK clearing bank base lending rate 13 per cent from November 25

Total help of £53m was provided. The authorities did not operate in the market before lunch, and in the afternoon bought £43m bills by way of £35m Treasury bills in band 1 at 12⅞ p.c., and £8m bank bills in band 1 at 12⅞ p.c. Late assistance of around £10m was also provided.

Bills maturing in official hands, repayment of late assistance, and a take-up of Treasury bills drained £7m, with Exchequer transactions absorbing £195m, and a rise in the note circulation £210m. These factors outweighed bank balances above target of £120m.

In New York the Federal Reserve added temporary reserves of $1.5bn to the banking system, via customer repurchase agreements, when Federal funds were trading at 8⅞ p.c.

In Frankfurt credit conditions were very liquid, with call money falling to 4.50 p.c. from 4.85 p.c. Banks remained well supplied with funds, after making heavy use of the Lombard borrowing facility last week, before it was raised by ½ p.c. to 5½ p.c. on Thursday.

The Bundesbank is likely to withdraw surplus funds at this week's securities repurchase agreement tender. An existing pact of DM18bn expires today, and dealers believe the central bank will probably allocate only DM13bn to DM16bn under the new agreement.

This will help push call money up towards 5 p.c., bringing it into line with the cost of funds provided at the latest tender.

When the Lombard rate was increased, the Bundesbank announced that it would revert to a fixed rate tender at 5 p.c. this week, after previously offering variable rate tenders.

In Brussels the Belgian National Bank left its key Treasury certificate rate unchanged at 7.65 p.c., but raised the rate on four-month paper, issued by the Securities Regulation Fund, by 0.45 p.c. to 7.65 p.c.

FT LONDON INTERBANK FIXING

(11.00 a.m. Dec.20) 3 months US dollars		6 months US Dollars	
bid 9⅜	offer 9½	bid 9⅜	offer 9½

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK (Lunchtime)

Prime rate	10½
Broker loan rate	9⅞-¾
Fed.funds	8¹³⁄₁₆-⅞
Fed.funds at intervention	8⅞

Treasury Bills and Bonds

One month	8.10	Three year	9.08
Two month	8.14	Four year	9.08
Three month	8.44	Five year	9.08
Six month	8.76	Seven year	9.10
One year	9.04	10-year	9.07
Two year	9.08	30-year	8.96

Dec.20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	4.40-4.60	5.45-5.65	5.45-5.65	5.45-5.65	5.50-5.70	5.50
Paris	8⅝-8¾	8⅝-8¾	8⅝-8¾	8¹¹⁄₁₆-8¹³⁄₁₆	8¾-8⅞	7.25
Zurich	3⅞-4⅛	4⅞-5⅛	-	4⅞-5	-	-
Amsterdam	5.87-6.00	5.70-5.80	-	5.75-5.85	-	-
Tokyo	4.03125	4.84375	-	4.59375	-	-
Milan	11½-11⅞	12-12½	-	12⅛-12⅝	-	-
Brussels	5.45	7⅛-7¼	-	7⅛-7¼	-	-
Dublin	7½-7¾	7¾-8	8-8¼	8⅛-8⅜	8½-8¾	-

LONDON MONEY RATES

Dec.20	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	13½	12⅞	12⅞	13	13	12¾
Interbank Bid	11¼	12	12¾	12⅞	12¾	12½
Sterling CDs	-	-	12¹³⁄₁₆	12¹³⁄₁₆	12¹³⁄₁₆	12½
Local Authority Deps.	12½	12⅞	12⅞	12⅞	12⅞	12½
Local Authority Bonds	-	-	-	-	-	-
Discount Mkt Deps.	13	12½	12⅝	12⅝	-	-
Company Deposits	-	-	12⅞	12¹³⁄₁₆	12¾	12⅝
Finance House Deposits	-	-	12¹³⁄₁₆	12¹³⁄₁₆	12¹³⁄₁₆	12¹³⁄₁₆
Treasury Bills (Buy)	-	-	12⅞	12⅝	-	-
Bank Bills (Buy)	-	-	12⅞	12⅝	12¼	-
Fine Trade Bills (Buy)	-	-	13⅛	13⅛	12⅞	-
Dollar CDs	-	-	9.70-9.65	9.45-9.40	9.50-9.45	9.65-9.60
SDR Linked Dep Offer	-	-	8⅛	8⅛	8⅛	8⅛
SDR Linked Dep Bid	-	-	7¹³⁄₁₆	7¹³⁄₁₆	7¹³⁄₁₆	7¹³⁄₁₆
ECU Linked Dep Offer	-	-	8⅛	8⅛	8⅛	8⅛
ECU Linked Dep Bid	-	-	7¹³⁄₁₆	8	8	8

Treasury Bills (sell); one-month 12½ per cent; three months 12⅜ per cent; Bank Bills (sell); one-month 12⅞ per cent; three months 12¾ per cent; Treasury Bills: Average tender rate of discount 12.5634 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day November 30, 1988. Agreed rates for period December 26,1988 to January 24, 1989, Scheme I: 13.27 p.c. Schemes II & III: 13.61 p.c. Reference rate for period November 1,1988 to November 30, 1988, Scheme IV&V: 12.251 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 12½ from December 1, 1988: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 7½ per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9½ per cent; nine-twelve months 9½ per cent; Under £100,000 7 per cent from July 5,1988, Deposits withdrawn for cash 5 per cent.

هكذا من الأصل

LONDON STOCK EXCHANGE

Money supply data good for equities

A FAVOURABLE reception for the domestic money supply data for last month encouraged the London equity market yesterday but share prices closed below their best levels as Wall Street opened with an uncertain attempt to extend its overnight rise.

Equities looked very firm at mid-session when domestic money market rates for three month money dropped below 13 per cent after news that M4 lending for November, at £5.6bn, was below City expectations. The detailed breakdown of the figures from the clearing banks also lent support to hopes that the higher interest rate policies of Mr Nigel Lawson, the Chancellor of the Exchequer, are beginning to take effect in curbing consumer spending in the UK.

Mr Ian Harwood of Warburg Securities commented that while a soft landing for the UK economy remains in prospect, the market did not expect any significant turn in domestic interest rates ahead of the UK Budget, which is traditionally disclosed in the Spring.

The equity market peaked on the day with a gain of 11 FT-SE points after statistics on US consumer prices and third quarter gross national product soothed fears of an early increase in Federal discount rate.

However, sheer lack of trading volume again undermined the market, and when Wall Street struggled to maintain its opening gain London came off the top.

The final reading on the FT-SE scale showed a net gain of 6.9 points at 1777.4. Seaq volume at 445.7m shares, compared with 256.5m on Monday, included a high proportion of trades between market making firms.

City analysts, who have mostly backed away from the London equity market until the New Year, took a cool view of the November statistics on unit trust business. The figures from the Unit Trust Association showed strong sales of new business in November (£718.6m) offset by substantial repurchases (£553.3m). The number of direct unit holding accounts continued to decline and now stand at 4.9m compared with 5.1m a year ago, according to the Association.

A downturn in sterling helped international stocks, spurring gains in ICI, Glaxo, BOC and Unilever. Turnover was light, however, and market analysts were unimpressed by the price gains. Despite growing doubts surrounding the Christmas retail season, several leading store stocks bounced back from recent losses.

A major surprise was the continued suspension of shares in Plessey, the electronics group as it abandoned its legal fight in the UK to block the £1.7bn bid from GEC and Siemens of Germany, following its failure to obtain a temporary injunction from the UK High Court.

Account Dealing Dates		
*First Dealings:		
Nov 28	Dec 12	Dec 28
Option Declarations:		
Dec 8	Dec 22	Jan 12
Last Dealings:		
Dec 9	Dec 23	Jan 13
Account Day:		
Dec 19	Jan 9	Jan 23

*New time dealings may take place from 9.00 am two business days earlier

LASMO again in focus

Attention in the oil sector was again focused on Lasmo and Enterprise which rallied strongly after the major sell-off put in train on Monday when the result of Lasmo's auction of its 25.2 per cent stake in Enterprise was made known. The latter, given a rough ride in the Press, picked up to close 8 firmer at 468p.

Lasmo, widely acknowledged as among the best bets in the independent oil sector and a known takeover target after British Gas's unsuccessful attempt to pick up a substantial holding in a market raid some three months ago, rose 10 to 472p.

Commenting on the sale of Lasmo's stake in Enteprise, BZW, the securities house, said: "The sale leaves Lasmo looking highly vulnerable with a balance sheet bulging with £270m in net cash, but no major holder to provide protection".

Glaxo rebound

Pharmaceuticals giant Glaxo staged a strong recovery yesterday, rising 21 to 1038p, after 1041p. Turnover was an improved 2m shares.

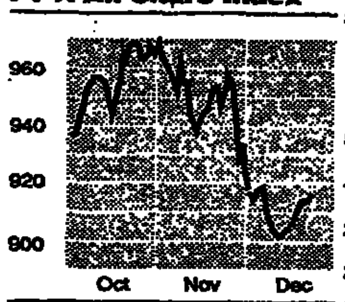
The rise was linked to technical trading in the sector as a whole, with dealers reporting some short positions as well as switching activity into Glaxo out of Beecham, itself a strong performer recently and a candidate for profit-taking. Glaxo opened firmer and then raced away as dealers tried to stay out of the action. Beecham found the going rather tougher and fell 4 to 466p in turnover of 2.1m shares. The takeover talk of last week which accompanied a strong price rise has predictably come to nothing and some institutions have been tempted to take profits.

Analysts found yesterday's strength in Glaxo hard to explain. The strength of the dollar was generally perceived to be good news for the company as well as for other leaders like ICI and Wellcome. The favoured explanations, however, were the technical factors and the simple fact that Glaxo shares have been depressed for the last few weeks and have been due for a rally.

GrandMet easier

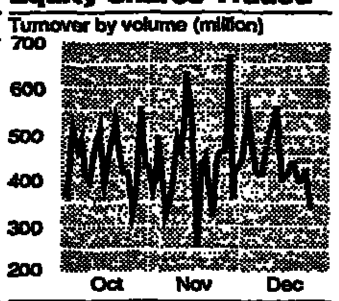
Trading in Grand Metropolitan continued to be influenced by reactions to the recent string of acquisitions which culminated in the success of the company's takeover of Pillsbury. Yesterday the shares fell 6 more to 424p in turnover of 4.6m.

FT-A All-Share Index



Equity Shares Traded

Turnover by volume (million)



The increased volume was partly due to a large deal of nearly 700,000 shares which helped the price lower. It was comment on the acquisitions which dominated sentiment, however, with dealers remarking that volume mainly reflected stock passed between marketmakers rather than customer business.

Analysts at County NatWest WoodMac chose yesterday to put out a strong buy recommendation on Grand Met, saying the shares are cheap in relation to assets and prospects for earnings growth. They disagree with the perception that too much was paid for Pillsbury, pointing out that the timing of the deal keeps financing costs down because it coincides neatly with receipt of £1.2bn for the Intercontinental Hotel chain sold by Grand Met to Seibu Saison. The analysts have revised their profit forecasts to take account of the Pillsbury, Wienerwald and William Hill acquisitions.

International stocks were more buoyant than of late, led higher by the strength of the dollar. ICI rose 8 to 993p as 1.2m shares changed hands, while Wellcome, another large dollar earner, rose 6 to 410p. Both stocks have been subdued recently and were said to be ripe for a recovery.

Fisons gained 3 to 241p, closing off the top despite a Warburg Securities buy recommendation. The Warburg sector analysts issued a note talking down recently-aired worries about patents on Intal, Fisons anti-asthma drug. Generic competition is unlikely to make significant inroads into profits, while the company's foreign exchange hedging also makes it attractive on fundamentals.

Reuters rose another 10 to 503p on renewed US buying after recent presentations. Dealers also reported a stock shortage.

The oil and gas sector, dominated by corporate activity over the past few weeks, reverted to fundamentals yesterday. Crude oil prices came under pressure at the outset and for much of early trading, but staged a good rally as the day wore on. At the close prices were down only some 5 cents a barrel, having been down some 20 cents at the worst.

BP old and new shares were marginally easier at 256p and 152½p on respective turnovers of 9.2m and 7.2m with the market awaiting news of details of the probable acquisition of BP's minerals division by RTZ.

Dealers reported another heavy turnover in Shell with US sellers met by big European buyers after news of the court ruling in the US over pesticide pollution in the Rocky Mountains. Shell shares closed a shade off at 341p with turnover coming out at 7.9m.

Calor, strongly supported by BZW and Hoare Govett – the latter has been a big fan of Calor for some time – raced up to 403p before closing a net 7 to the good at 399p.

Ultramar – "overlooked by the market as all this Enterprise/Lasmo business has been going on," according to one dealer – advanced to close a net 4 higher at 277p, after 279p at one point. The market is still waiting for confirmation that the two Canadian companies, Noverco and Provigo, along with Banque Paribas, have been adding to their respective holdings in the UK oil group, last revealed as being 4.3 per cent. Many analysts and dealers are predicting the UK oil group will be broken up in the new year.

The official investigation into County NatWest's stake in Blue Arrow after the latter's acquisition of America's Manpower, failed to cause any further damage to NatWest shares, which, having dipped off to 513p in very early trading, subsequently picked up to close unaltered on the session at 516p.

Plessey shares were suspended at the company's request before news that the High Court had rejected an application by Plessey to block the 225p a share joint bid from GEC/Siemens.

Prior to the halt in trading, initiated at 10.15am, Plessey shares were changing hands around the 210p mark.

Plessey had applied to block the bid on the grounds that it contravened EC rules on fair competition. The High Court decision leaves GEC/Siemens free to continue with their bid. Dealers were unsure as to whether trading in Plessey stock would resume today. GEC shares were little changed on the day, closing at 189½p.

Racal Telecom were again heavily bought, with dealers citing persistent US demand for the ADR's; at the close Racal Telecom were 4¼ firmer at 175½p.

Sema, one of the market's worst performers on Monday after news of the profits warning and resignation of the joint managing director, came under renewed selling pressure to close 13 off at 285p – a two-day fall of 40.

The stores sector was enlivened by talk that a leading food retailer was planning a break-up bid for Ward White. There has been plenty of bid speculation surrounding the stock in recent weeks, fuelled partly by a recent spate of profits downgradings. Only last week Kleinwort Benson said: "The (Ward White) share price is now low enough realistically to encourage hopes of corporate activity."

However, most observers poured scorn on yesterday's suggestion that the predatory food group was Argyll. "Of all the retailers Argyll is the least likely to launch a bid because it has its hands full developing the Safeway business," said one foods analyst. The speculation was enough to send Ward White through the 200p-barrier, before easing back to close at 198p, up 4 on the day.

Sears was actively traded (again nearly 10m shares changed hands) ahead of today's expiry of the December 110 series options. Despite some continued selling pressure on fundamentals, the stock managed to close unchanged at 107p.

W H Smith maintained the run of rises which has left observers baffled. Lots of small buyers were said to be flocking to the stock, and the "A" shares closed up 5 at 217p.

Coats Viyella advanced strongly on the back of the firmer dollar, closing 6 higher at 141p as more than 3m shares went through the system.

Security printers De La Rue spurted 15 to 420p. A story circulated in the market that 1m shares had changed hands at above the market price.

The fasteners company Avdel put on 1¼ to 89½p after a day in which rival suitors Textron and Banner tussled for control in the £125m-plus contest.

Textron, Avdel's "white knight", claimed it had 35 per cent shareholder support for its offer of 92p a share. The hostile bidder, Banner Industries, which is offering 88p a share, was buying early in the market and secured a further 100,000 shares. Banner claimed it had raised its support to 43.26 per cent and that the Textron attempt would fail.

Although Vickers finally won Government approval to develop a new tank, the market's reaction was to discount the widely expected news and mark Vickers shares down 7½ to 157p.

Newly-disclosed holdings amounting to nearly 13 per cent in Christies International, the auctioneering group, helped the shares put on 37 to 645p. Carisbrook Holdings owned by the Australian Mr Robert Holmes à Court has 6.11 per cent and Caledonia Investments a further 6.37 per cent.

Cheerful thoughts about the final figures for the Rank Organisation, due next month, encouraged the shares to make progress for the second day in succession. They put on 11 to 714p.

The possibility of Mr Mitch Fromstein, the former head of Manpower, now owned by Blue Arrow, assembling finance to launch a raid on Blue Arrow helped stiffen the market in the shares. They finished 2 up at 84p.

Unigate was the focus of attention among food stocks as word spread that a European – possibly Danish – consortium will launch a 410p-a-share takeover bid for the dairy group within the next weeks.

Although the absence of hard evidence left some observers sceptical, at least one analyst said that now would be a good time for a predator to strike given that Unigate is currently in the middle of what looks like a successful reorganisation of its milk operations. Unigate closed 5½ better at 299½p.

S&W Berisford added 2 at 401p after announcing that it would not now buy Amalgamated Sugar from Valhi. Among retailers William Low soared 17 to 698p amid talk that Antipodean entrepeneur Sir Ron Brierley has added to his existing 8.8 per cent stake, while Asda closed unchanged at 130p as a very late bargain of 4.2m at 127p went through the system, possibly part of a "bed and breakfast" deal.

Properties went against the trend as the lack of positive developments on the Rodamco bid for Hammerson depressed sentiment. There was very little customer business reported and what trade existed was confined to deals betweenmarketmakers.

Pennant Properties dropped 10 to 109p after announcing that the sale of its stake in US group Bay Financial has been postponed on legal advice because of SEC regulations concerning the sale of holdings by majority shareholders.

Turnover in traded options amounted to 29,067 contracts, consisting of 18,340 calls and 11,267 puts. FT-SE 100 options attracted 6,566 contracts on a matched basis, struck immediately after the close, and lying in 3,134 calls and 3,432 puts. The number of index contracts not immediately matched reached 9,321.

■ Other market statistics, including FT-Actuaries Share Index and London Traded Options, Page 29

NEW HIGHS AND LOWS FOR 1988

NEW HIGHS (81).
AMERICANS (3) CANADIANS (1) BANKS (2) Bank Scot. 9¼pc Irrd Pf., Deutsche, Anglo Leasing, BREWERS (1) Macallan-Glenlivet, STORES (1) Chelsea Man, ELECTRICALS (1) Ericsson (L.M.), ENGINEERING (3) Ransomes Sims, Thyssen, Westland, FOODS (1) Barr (A.G.), INDUSTRIALS (6) AGA AB, Avdel, Christies Int'l., Electrolux, Radiant Metal, INSURANCE (1) Allianz AG, MOTORS (2) Gen. Mts., Volvo, NEWSPAPERS (1) Haynes Pub., PROPERTY (1) London Shop 8pc Cnv. 94-99, SHIPPING (2) Graig Shipping, Lon. O'seas Frts. 'B', TRUSTS (5) Bertrams Invs. Tst., Cambrian & Gen., Electra Inv. Tst., Glasgow Inc. Tst., Korea Europe.
NEW LOWS (52).
CANADIANS (2) BREWERS (1) Bulmer (H.P.), BUILDINGS (3) Arthur Shaw, Epwin Grp., Roskel, CHEMICALS (1) Cambridge Isotope, STORES (4) Aquascutum, Dixons Grp., Fitz Design Grp., S & U Stores, ELECTRICALS (8) Bennett & Fountain, Borland, Feedback, Forward Tech., Imec Grp., Microgen Hldgs. Real Time Cont., VG Instr., ENGINEERING (1) McKechnie, FOODS (1) Ptarmigan,
INDUSTRIALS (11) Bluebird Toys, CCA Pub., Harding Grp., Havelock Europa, Hodgson Hldgs., Mainmet Hldgs., NMW Comps., Oriflame, Parkfield Grp., Platignum, Sharp & Law 8½pc Cv. Pf., INSURANCES (1) Sun Life, LEISURE (1) Hi-Tec Sports, MOTORS (1) Cook (D.C.), PAPERS (2) St. Ives, Serif Cowells, PROPERTY (3) SDA Hldgs., English & O'seas Prop., Moorfield Ests., TEXTILES (1) Readicut, TRUSTS (4) Panfida Grp., Brit. & Comm., Int'l. City Hldgs., Melville St. Invs., OILS (2) Floyd Energy, Monarch Pet., MINES (8) BHP Goldmines, Duke Grp., Kidston Gold Mines, Cons. Murch., Thorco Res.

FINANCIAL TIMES STOCK INDICES

	Dec. 20	Dec. 19	Dec. 16	Dec. 15	Dec. 14	Year Ago	1988 High	1988 Low	Since Compilation High	Since Compilation Low
Government Secs	87.28	87.01	86.85	86.54	86.18	88.19	91.43 (18/4)	86.18 (14/12)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Interest	96.15	96.08	96.15	95.99	96.14	94.71	98.67 (25/5)	94.14 (8/1)	105.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1438.3	1434.6	1436.0	1427.3	1424.2	1408.9	1514.7 (8/8)	1349.0 (8/2)	1926.2 (16/7/87)	49.4 (26/6/40)
Gold Mines	162.9	163.0	163.1	170.7	170.4	301.1	312.5 (7/1)	162.7 (22/9)	734.7 (15/2/83)	43.5 (26/10/71)

Ord. Dl. Yield	5.11	5.12	5.12	5.14	5.15	4.44
Earning Yld %(full)	12.91	12.95	12.93	12.98	13.01	11.11
P/E Ratio(Net)(☆)	9.35	9.31	9.33	9.29	9.28	11.03
SEAQ Bargains(5pm)	19,237	18,604	19,057	19,191	19,223	24,326
Equity Turnover(£m)†	-	831.53	893.13	886.61	897.80	1964.07
Equity Bargains†	-	18,749	19,289	18,365	19,229	29,292
Shares Traded (ml)†	-	333.4	410.4	383.4	434.8	533.6

Ordinary Share Index, Hourly changes

Opening	10 a.m.	11 a.m.	12 p.m.	1 p.m.	2 p.m.	3 p.m.	4 p.m.
1436.8	1437.3	1440.1	1441.5	1441.2	1440.7	1442.5	1440.2

DAY'S HIGH 1442.5 DAY'S LOW 1436.8

Basis 100 Govt. Secs 15/10/26, Fixed Int. 1928, Ordinary 1/7/35, Gold Mines 12/9/55, SE Activity 1974, ☆Nil 9.30 †Excluding intra-market business

● S.E. ACTIVITY

Indices	Dec. 19	Dec. 16
Gilt Edged Bargains	96.9	102.6
Equity Bargains	121.5	125.0
Equity Value	1680.7	1805.2
5 – Day average		
Gilt Edged Bargains	102.4	100.6
Equity Bargains	125.4	131.7
Equity Value	1764.7	1804.3

● London Report and latest Share Index: Tel. 0898 123001

TRADING VOLUME IN MAJOR STOCKS

The following is based on trading volume for Alpha securities dealt through the SEAQ system yesterday until 5 pm.

Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change	Stock	Volume 000's	Closing Price	Day's change
ASDA Group	7,800	130		Commercial Union	685	332		Ladbroke	716	429	-1	Rothmans	415	415	
Abbey Life	1,500	286	+2	Cons. Gold Fields	89	£12¼		Land Securities	726	544	-3	Royal Bk. of Scotland	340	365	
Allied-Lyons	1,900	441	+4	Cookson	272	245		Laporte	244	366	+6	Royal Insurance	1,200	388	+4
Amstrad	780	163½	+2½	Courtaulds	865	258	+3	Legal & General	1,800	289	+1½	STC	1,000	264	
Argyll Group	5,800	179	+1	Dalgety	408	303	+1	Lloyds Bank	1,300	326	+3	Saatchi & Saatchi	940	329	+3
Ass. Brit. Foods	421	305½	+3½	Dixons	1,300	125	-1	LASMO	1,300	472	+10	Sainsbury	1,100	196	+3
BAA	1,400	266	+2	Eng. China Clays	575	451	-3	Lonrho	1,200	335	-1	Scot & Newcastle	834	390	
[illegible]				[illegible]				[illegible]				[illegible]			
BTR	2,000	294		General Elect.	7,500	189½	+½	Midland Bank	273	411	+1	Standard Chartd.	817	495	
Barclays	1,500	479	+2	Glaxo	2,000	£10⅜	+¼	Nat. West. Bank	1,100	516		Storehouse	809	183¾	-½
Bass	823	790	+7	Glaxo Inc.	164	137½	+½	Next	2,600	135	+1	Sun Alliance	381	967	+5
Beazer	965	178	+½	Glynwed Int.	189	257	+5	Northern Foods	184	285	+1	T&N	474	167	+5
Beecham	2,100	466	-4	Granada	448	310		Pearson	280	639		TSB	2,300	109½	
Blue Arrow	4,000	84	+2	Grand Met.	4,400	424	-6	Pearl	1,000	387	+3	Tarmac	703	224	+2
Blue Circle	1,900	420	-5	GUS A	274	941	+11	P&O	1,700	525	+2	Tate & Lyle	125	809	
Boots	2,100	223½	+4½	GRE	1,400	182		Pilkington	1,700	208½	+2	Tesco	3,700	132	+1
British Airways	3,400	166	+3	GKN	216	294	-1	Plessey	1,100	210		THORN EMI	723	608	+3
Brit. Aerospace	705	428	+3	Guinness	1,900	338	+1	Prudential	2,400	153½	+1	Trafalgar House	754	293½	+1½
Brit & Comm.	1,500	206	-1	Hammerson "A"	218	887	-7	Racal	2,900	267	+5	Trusthouse Forte	4,550	250½	-½
British Gas	3,700	159½	-½	Hanson	4,700	152½	+1½	Rank Org.	375	714	+11	Ultramar	909	277	+4
British Land	1,000	325	-7	Harrisons & Cros.	233	634	-2	RMC	843	491	+11	Unilever	558	451	+5
BP	9,110	256	-½	Hawker Siddeley	999	530	+3	RHM	311	339		United Biscuits	1,100	284	-2
British Telecom	3,400	254	+1	Hillsdown Hldgs	2,100	228	+2	Reckitt & Colman	379	915	+7	Utd. Newspapers	376	384	+9
Burmah Oil	522	472	+1	IMI	438	181	+1	Redland	123	401	+4	Wellcome	589	410	+6
Bunzl	3,700	174	-2	Imp. Chem.	1,100	993	+8	Reed International	784	368	+5	Whitbread "A"	725	381	+2
Cable & Wireless	778	367	-1	Inchcape	848	196	-1	Reuters "B"	2,700	503	+10	Williams Hldgs.	642	289½	-½
Cadbury Schweppes	1,100	323		Jaguar	515	259	+2	RTZ	525	406	+2	Wimpey	2,100	262	-2
Coats Viyella	3,100	141	+6					Rolls Royce	3,100	129	+1	Woolworth Hldgs	1,400	229	+1

APPOINTMENTS

Managing director of Associated Paper

■ ASSOCIATED PAPER INDUSTRIES has appointed Mr Adrian Missenden as managing director. He will join the company in February and will take over as managing director on April 1 1989, when he succeeds Mr John Graham who is retiring. Mr Missenden is managing director of GP Inveresk Corporation.

■ Mr Howard J. Atkins, who was a director of TI Group, and is now a director of Black & Decker Europe, has been appointed a non-executive director of S. DANIELS.

■ Mr George J.J. Dennis has been appointed a non-executive director of ABINGWORTH. He is managing director of TSB Investment Management.

■ Mr Mark Avery has been appointed senior vice president, marketing, at OCEANIC FINANCIAL SERVICES.

■ Mr Roland Abbey and Mr David Pearson have been appointed to the board of GREIG MIDDLETON & CO., stockbrokers.

■ Mr Peter Darby has been appointed managing director of CREST ESTATES following the resignation of Mr Iain Ramsay.

■ RIGIDIZED METALS has appointed Mr Tom Ellison as managing director. He was deputy managing director and sales director.

■ Mr Roger Lewis becomes company secretary and legal adviser of W. CANNING from January 1, following the retirement of Mr Allan Smith.

■ GEORGE WIMPEY has appointed Mr Henry W. Moore as a director of Wimpey Property Holdings. He was commercial development manager.

Triton Europe manager posts

■ TRITON EUROPE has made the following appointments: Mr Tom G. Evans, general manager, Triton North Sea Operators (he will continue as exploration manager for Triton Europe); Mr Richard D. Preston, chief financial officer (he was vice president-finance, treasurer for Triton Oil & Gas Corp., in Dallas); Mr David P. Jones, company secretary, (he remains legal manager for the company and all its subsidiaries); Mr Jeremy J. Field, senior geophysicist.

JOHN FOSTER & SON, Black Dyke Mills, Bradford, has appointed Mr Harold Harvey (above) as managing director following the death of Mr Derek Gallimore. Mr Harvey was manufacturing director.

■ THE FERGABROOK GROUP has promoted Mr Colin Lisle, managing director of Rainbow Toys, to chairman of Rainbow Toys and Wembley Sportsmaster, and will represent the toy division on the group board. He takes over from Mr Philip Harrison, group chief executive, as chairman of the product development committee.

■ Mr John Scott has been appointed director and general manager of SILVERTOWN LIGHTING, a subsidiary of Whitecroft. He was with Inspectorate UK.

Boots company secretary

■ Mr Ian Hawtin has been appointed company secretary to THE BOOTS COMPANY from January 1. He has been deputy company secretary since 1977, and a director of Boots International since 1981.

■ THE DOLLOND & AITCHISON GROUP has appointed Mr Bruce Thorne, Mr David Vince, Mr John Humphreys and Mr Richard Keeler to the board. Mr Thorne takes over as deputy chief executive of the UK optics division. He was group development director. Mr Vince becomes overseas development director in addition to his responsibilities as director of group manufacturing services - UK. Mr Richard Yoffey is appointed group UK marketing director, and Mr Des Taylor becomes group UK product director.

■ Mr C.F. Erban, Mr N. Hargreaves and Mr P.R. Taylor have been appointed directors of C.T. BOWRING REINSURANCE.

■ Mr John Bull has been appointed general manager, P&O BULK CARRIERS, from January 1. He was chartering manager.

■ CONDER GROUP has appointed Mr Huw Jermine as managing director of Conder Fabrication. He has been with the group since 1977.

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AUTHORISED UNIT TRUSTS

Init Charge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's

CROSSWORD

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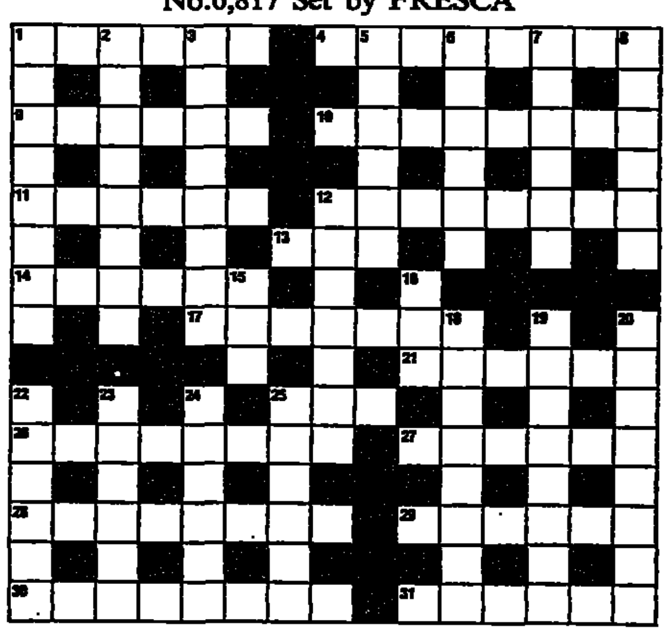


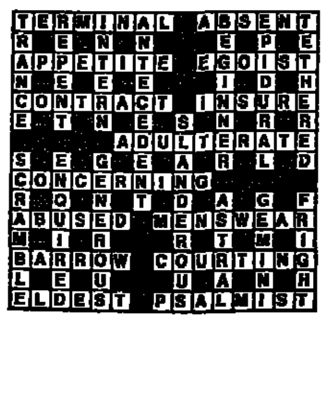
ACROSS

1 Attempts to get round British families (6)
4 Hail, Grieg, composer in trouble! (8)
9 School players with considerable weight (6)
10 Bound to find an east European in dire need (8)
11 Suit brought against play no-one backed (6)
12 Flowers that shrink from the heat? (8)
13 See 15
14 Most of an African republic occupied in part by the Portuguese (6)
17 "Give them a big hand!" – as heard in London (7)
21 Radiotelephone putting priest in the groove (6)
25 See 16
26 Living in a show place that's heavenly (8)
27 Curry, for example, to take with fish? (6)
28 "Until the ——and the shadows flee away" (3,5) (Song Of Solomon)
29 Marked effect of devilish deed (6)
30 Puts weight on and worries! (8)
31 Untied, Not exactly! (6)

DOWN

1 Acid encounter of two sailors and one conservative (8)
2 Charged with confusing 31 with physical training (8)
3 Profitable number held by English jester (8)
5 Mild chap, exremely likeable (6)
6 Surviving memorial to Turkey's leader (6)
7 Wishes to change places with one in seven, perhaps (6)
8 Most senior characters from Leeds seen at Knott's End (6)
12 Hook King George's fruit (7)
15 and 13 Attraction of big house to Cockney on river (6)
16 and 25 across A degree to depend on – but only just! (6)
18 Extra-terrestrial male taken outside Kenyan capital and shot (8)
19 Remove truck blocking up a second-class thoroughfare (8)
20 Repeated it time after time to journalist (8)
22 Suit navvy's requirements? (6)
23 For each outside light, a fervent wish (6)
24 Trouble with sailors wearing Sunday dresses (6)
25 Ways to cloak a break-out (6)

Solution to Puzzle No.6,816



GUIDE TO UNIT TRUST PRICING

INITIAL CHARGES
These represent the marketing, administrative and other costs which have to be paid by new purchasers. These charges are included in the price when the customer buys units.

OFFER PRICE
The price at which units may be bought.

BID PRICE
The price at which units may be sold.

CANCELLATION PRICE
The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, unit trust managers quote a much narrower spread. As a result, the bid price is often set well above the minimum permissible price which is called the cancellation price in the table. However the bid price might be moved to the cancellation price in circumstances in which there is a large excess of sellers of units over buyers.

TIME
The time shown alongside the fund manager's name is the time at which the unit trusts' daily dealing prices are normally set unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: ♥ - 0001 to 1100 hours; ♦ - 1101 to 1400 hours; ♠ - 1401 to 1700 hours; ♣ - 1701 to midnight.

HISTORIC PRICING
The letter H denotes that the managers will deal on a historic price basis. This means that investors can obtain a firm quotation at the time of dealing. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis.

FORWARD PRICING
The letter F denotes that prices are set on a forward basis so that investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper show the prices at which deals were carried out yesterday.

Other explanatory notes contained in last column of the FT Unit Trust information page.

FT UNIT TRUST INFORMATION SERVICE

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TSB Unit Trusts (y) (1000)F
Charlton Pl, Andover, Hants. SP10 1RE 0264 63434

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
TSB American	6	95.25	96.00	102.13	+1.34	2.07
Do Accum	6	102.24	103.03	109.61	+1.43	2.07
TSB Brit Growth	6	52.45	52.45	55.80	-0.05	3.63
Do Accum	6	54.88	54.88	58.39	-0.07	3.63
TSB European	6	51.74	51.74	55.04	+0.19	1.06
Do Accum	6	53.14	53.14	56.53	+0.19	1.06
TSB Extra Income	6	141.84	145.38	154.66	-0.11	6.23
Do Accum	6	183.09	187.66	199.64	-0.14	6.23
TSB Smaller Cos	6	48.80	50.86	54.11	+0.12	1.54
Do Accum	6	49.67	51.77	55.07	+0.12	1.54
TSB General	6	172.18	172.18	183.17	-0.47	3.67
Do Accum	6	298.04	298.04	317.06	-0.81	3.67
TSB Premier Income	5	46.99	47.46	49.44	+0.02	9.28
Do Accum	5	72.33	72.86	75.90	+0.03	9.28
TSB Income	6	254.49	254.49	270.75	-0.09	5.26
Do Accum	6	432.90	432.90	460.53	-0.15	5.26
TSB Pacific	6	206.85	210.00	223.40	+1.19	0.32
Do Accum	6	215.06	218.33	232.27	+1.24	0.32
TSB International	6	318.12	318.12	338.43	+1.95	0.87
Do Accum	6	401.97	401.97	427.63	+2.43	0.87
TSB Nat. Resources	6	57.52	58.65	62.41	+0.30	1.72
Do Accum	6	60.97	62.39	66.37	+0.30	1.72
TSB Sictd Opps	6	74.35	75.49	80.25	+0.10	2.85
Do Accum	6	85.12	86.19	91.64	+0.13	2.85

Target Trust Mngrs Ltd (1600)H
Target Hse, Gatehouse Rd, Aylesbury, Bucks.
Admin: 0296 394000 Dealing: 01-379 0560

	Init Chrge	Canc. Price	Bid Price	Offer Price	+ or -	Yield Gr's
American Eagle	5	61.26	61.26	65.45	+0.56	3.19
Australia	5	6.715	6.715	7.182		0.20
Commodity	5	71.05	71.05	77	+0.3	0.64
Convertible	5	135	135	145.1	-0.3	5.27
Equity	5	144.2	144.2	155.4	+1.0	3.36
Euro Spec Sits	5	81.61	81.61	87.85	+0.7	1.54
Financial	5	29.3	29.3	31.5	+0.09	2.16
Global Opps Inc	5	53.7	53.7	57.79	+0.14	0.65
Global Opps Acc	5	54.1	54.1	58.22	+0.14	0.65
Gold Income	5	43.12	43.12	46.35	+0.4	0.00
Gold Acc	5	79.42	79.42	85.38	+0.75	0.00
Income	5	99.36	99.4	107.4		4.72
Japan	5	125.2	125.2	134.8	-0.3	0.00
Pacific Inc	5	112.3	112.3	121.2	-0.3	0.05
Pacific Acc	5	139.3	139.3	150.4	-0.3	0.05
Preference Shares	5	24.19	24.94	26.52	+0.02	7.66
Special Sits	5	85.28	85.28	91.82	+0.01	1.69
UK Capital	5	83.54	83.54	90.05	+0.01	1.74
World Income	5	50.29	50.29	54.02	+0.05	5.06
Worldwide Capital	5	146.9	146.9	158.4	[illegible]	[illegible]

Murray Johnstone UT Mngmt
Murray Exempt Funds

	Bid Price	Offer Price	+ or -	Yield Gr's
Amer Exp Dec 21	37.5	39.0	+0.1	2.44
Euro Exp Dec 21	41.9	43.9	+0.1	2.26
Fixed Int. Ex Dec 21	48.0	50.2	+0.2	10.2
Japan Expt Dec 21	55.9	58.2	-0.6	0.4
Managed Ex Dec 15	37.2	38.6	.....	0.42
SE Asia Expt Dec 21	35.3	37.0	+0.2	2.10
Sm Cos Expt Dec 21	40.0	42.0	+0.1	2.94
UK Eqty Ex Dec 21	33.6	35.2	+0.2	5.74

New Court Property Fund Managers

	Bid Price	Offer Price	+ or -	Yield Gr's
NC Property	191.5	209.31	.....	-

Phillips & Drew Fund Management Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
PDFM Small Co's Nov 6	774.0	820.0	.....	4.20
Do Accum	799.0	846.0	.....	4.20
PDFM Int Expt Dec 15	121.7	123.8	.....	2.66

J. Rothschild Fund Managers Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
Intl Exempt	96.10	97.33	-	2.49

INSURANCES

AA Friendly Society
Investment Mngt M & G Inv Mngt Ltd

	Bid Price	Offer Price	+ or -	Yield Gr's
AA Friendly Sy Dec 9	-	139.4	.....	-

Abbey Life Assurance Co Ltd
80 Holdenhurst Road, Bournemouth 0202 292373

	Bid Price	Offer Price	+ or -	Yield Gr's
Prop. Ser. 1	261.6	275.4	+0.2	-
Equity Ser. 1	108.6	114.4	-0.6	-
Prop. Acc. Ser 2	390.7	411.3	+0.3	-
Equity Ser 2	123.2	129.7	-0.8	-
Selective Acc	291.2	306.6	-0.6	-
Prop. Ser. 4	313.3	329.8	+0.3	-
Equity Ser. 4	129.2	136.1	-0.5	-
Fixed Int. Ser. 4	215.5	226.9	-0.1	-
Indexed Int Ser. 4	129.0	135.9	+0.1	-
American Ser. 4	251.6	264.9	+2.7	-
High Inc. Ser. 4	375.1	394.9	-1.2	-
Japan Ser 4	280.2	295.0	.....	-
Man. Ser. 4	373.5	393.2	-0.4	-
Money Ser 4	222.2	233.9	+0.3	-
European Ser 4	[illegible]	[illegible]	[illegible]	[illegible]

OTHER UK UNIT TRUSTS

Continued on next page

FT UNIT TRUST INFORMATION SERVICE

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National Mutual Life

National Provident Institution

Norwich Union Asset Management Ltd

Norwich Union Life Insurance Soc.

Pearl Assurance (Unit Funds) Ltd

Phoenix Assurance Co Ltd

Pioneer Mutual Insurance Co Ltd

Premium Life Assurance Co Ltd

Prolific Life & Pensions Ltd

Property Equity & Life Ass. Co

Property Growth Assur Co Ltd

Providence Capital Life Assc. Co Ltd

Provident Life Assoc Ltd

Provident Mutual Life Assc. Assn.

Prudential Assurance Co

Prudential Holborn Life Ltd

Prudential Holborn Pensions Ltd

Prudential Pensions Limited

Regency Life Assurance Co Ltd

Reliance Mutual

Royal Heritage Life Assurance Ltd

Royal Heritage Life Assurance Ltd—Contd.

Royal Life Insurance Ltd

Royal Liver Assurance

Save & Prosper Group

Scottish Amicable

Scottish Equitable Life Assce. Soc.

Scottish Life Investments

Scottish Mutual Assurance

Scottish Mutual Investments

Scottish Provident Institution

Scottish Widows' Group

Skandia Life Assurance Co Ltd

Standard Life Assurance Company

Sun Alliance Insurance Group

Sun Life of Canada (UK) Ltd

Sun Life Unit Assurance Ltd

Swiss Life Pensions Ltd

TSB Life Ltd

Target Life Assurance Co Ltd

Teachers' Assurance Company Ltd

Tunbridge Wells Equitable

UK Life Assurance Co Ltd

Windsor Life Assur Co Ltd

Zurich Life Assurance Co Ltd

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

UK LISTED

IoM AUTHORISED

هكذا من الأصل

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OFFSHORE INSURANCES

OTHER OFFSHORE FUNDS

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1988 High	1988 Low	Stock	Price £	+ or -	Yield Int.	Yield Red.
[illegible]	[illegible]	Treas 11½pc 1989	[illegible]	[illegible]	11.54	12.60
[illegible]	[illegible]	Treas 9½pc Cnv 1989	[illegible]	[illegible]	9.59	12.35
[illegible]	[illegible]	Treas 3pc 1989	[illegible]	[illegible]	3.08	10.04
[illegible]	[illegible]	Treas 10½pc 1989	[illegible]	[illegible]	10.58	12.16
102	[illegible]	Exch 10pc 1989	[illegible]	[illegible]	10.12	12.08
[illegible]	[illegible]	Exch 11pc 1989	[illegible]	[illegible]	11.07	11.86
[illegible]	[illegible]	Treas 5pc 1986-89	[illegible]	[illegible]	5.21	10.26
[illegible]	[illegible]	Exch 10¼pc Cv '89	[illegible]	[illegible]	10.34	11.27
[illegible]	[illegible]	Treas 13pc 1990‡‡	[illegible]	[illegible]	12.77	11.21
[illegible]	[illegible]	Exch 11pc 1990‡‡	[illegible]	[illegible]	11.02	11.10
[illegible]	[illegible]	Exch. 12½pc 1990	[illegible]	[illegible]	12.32	11.21
[illegible]	[illegible]	Treas. 3pc 1990	[illegible]	[illegible]	3.28	9.85
[illegible]	[illegible]	Treas 8¼pc 1987-90‡‡	[illegible]	[illegible]	8.56	10.92
[illegible]	[illegible]	Treas. 8pc Cv 1990 ‡‡	[illegible]	[illegible]	8.25	10.17
[illegible]	[illegible]	Treas. 10pc Cv 1990	[illegible]	[illegible]	10.18	11.10
[illegible]	[illegible]	Exch 2½pc 1990	[illegible]	[illegible]	2.84	9.44
[illegible]	[illegible]	Treas 11¾pc 1991	[illegible]	[illegible]	11.61	11.10
[illegible]	[illegible]	Funding 5¾pc '87-91‡‡	[illegible]	[illegible]	6.38	10.69
[illegible]	86	Treas. 3pc 1991	[illegible]	[illegible]	3.47	9.50
[illegible]	[illegible]	Treas 10pc Cv '91 ‡‡	[illegible]	[illegible]	10.10	10.49
[illegible]	[illegible]	Exch. 11pc 1991	[illegible]	[illegible]	10.99	10.94
[illegible]	[illegible]	Treas. 8pc 1991	[illegible]	[illegible]	8.60	10.80
[illegible]	[illegible]	Treas 12¾pc 1992‡‡	[illegible]	[illegible]	12.09	10.65
[illegible]	[illegible]	Treas 10pc 1992	[illegible]	[illegible]	10.19	10.69
[illegible]	[illegible]	Treas. 9pc 1992 ‡‡	[illegible]	[illegible]	8.62	10.63
[illegible]	[illegible]	Treas 10½pc Cv 1992‡‡	[illegible]	[illegible]	10.54	10.64
[illegible]	[illegible]	Treas. 3pc 1992	[illegible]	[illegible]	3.66	9.14
[illegible]	[illegible]	Exch. 12¼pc '92	[illegible]	[illegible]	11.72	10.69
[illegible]	[illegible]	Exch 13½pc 1992	[illegible]	[illegible]	12.43	10.64
[illegible]	91	Treas 8¾pc 1993	[illegible]	[illegible]	8.91	10.46
[illegible]	[illegible]	Treas 10pc 1993‡‡	[illegible]	[illegible]	10.13	10.37
[illegible]	[illegible]	Treas 12½pc 1993‡‡	[illegible]	[illegible]	11.69	10.56
[illegible]	[illegible]	Funding 6pc 1993‡‡	[illegible]	[illegible]	6.98	9.75
[illegible]	[illegible]	Treas 13¾pc 1993‡‡	[illegible]	[illegible]	12.29	10.58

Five to Fifteen Years

Over Fifteen Years

BRITISH FUNDS—Contd

Undated

Index-Linked

INT. BANK AND O'SEAS GOVT STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH & AFRICAN LOANS

LOANS

Building Societies

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

Continued on next page

Money Market Trust Funds

Money Market Bank Accounts

LONDON SHARE SERVICE

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AMERICANS—Contd

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
19	14¾	USX $1	15½	+⅛	$1.40	–	4.9
141p	44p	♥Unilab	141p	+14	–	–	–
24⅜	17¾	Utd. Technologies	22⅝	+⅛	$1.60	–	3.9
163p	27p	♥Utilitech Inc.	126p	+2	–	–	–
34⅝	26¼	US West	32½	+⅝	$3.52	–	6.0
24⅞	16⅞	Waste Management $1	22½xd	+¼	48c	–	1.2
16⅞	12⅞	Whirlpool $1	13½	.....	$1.10	–	4.5
21⅝	16¼	Whitman Corp.	17½	.....	96c	–	3.0
33⅜	18¼	♥Woolworth $3½	27⅜	+½	$1.64	–	3.2

CANADIANS

1988 High	Low	Stock	Price £	+ or –	Div Gross	C'vr	Y'ld Gr's
309p	141p	♥ABM Gold Corp	144p	–4	–	–	–
32p	7p	♥Abbot Energy Corp.	7p	.....	–	–	–
14¼	882p	♥Amer. Barrick Res.	887p	+5	–	–	–
10p	2⅜p	♥Amer. Lightwave	3p	.....	–	–	–
47p	7¼p	♥Armeno	25p	+7	–	–	–
76p	32p	♥Asamitto Expln	32p	–7	–	–	–
14⅜	10⅞	Bk. Montreal	12⅜	.....	$2.00	–	7.4
769p	514p	Bk Nova Scot.	667p	+13	76c	–	5.2
18¼	15¼	BCE	17xd	.....	$2.44	–	6.5
716p	527p	♥Bow Valley	592p	+10	♦40c	–	3.1

BANKS, HP & LEASING

Hire Purchase, Leasing, etc.

BEERS, WINES & SPIRITS

BUILDING, TIMBER, ROADS

BUILDING, TIMBER, ROADS—Contd

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ENGINEERING

ENGINEERING—Contd

FOOD, GROCERIES, ETC

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS (Miscel.)—Contd

INDUSTRIALS (Miscel.)—Contd.

INSURANCES

LEISURE

LONDON SHARE SERVICE

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LEISURE—Contd

[illegible]

MOTORS, AIRCRAFT TRADES

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING, ADVERTISING

[illegible]

PROPERTY

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TEXTILES—Contd

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

TRUSTS, FINANCE, LAND—Contd

[illegible]

Finance, Land, etc

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Contd

[illegible]

OVERSEAS TRADERS

[illegible]

PLANTATIONS

Rubbers, Palm Oil

[illegible]

Teas

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

Finance

[illegible]

Australians

[illegible]

MINES—Contd

[illegible]

Tins

[illegible]

Miscellaneous

[illegible]

THIRD MARKET

[illegible]

NOTES

Stock Exchange dealing classifications are indicated to the right of security names: α Alpha, β Beta, γ Gamma.

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 25 per cent and allow for value of declared distribution and rights.

● "Tap Stock"
• Highs and lows marked thus have been adjusted to allow for rights issues for cash
† Interim since increased or resumed
‡ Interim since reduced, passed or deferred
‡‡ Tax-free to non-residents on application
♦ Figures or report awaited
♥ Not officially UK listed; dealings permitted under rule 535(4)(a)
♣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
‡‡ Dealt in under Rule 535(3).
# Price at time of suspension
¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress
♣ Not comparable
♦ Same interim; reduced final and/or reduced earnings indicated
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E usually provided.
■ No par value

B.Fr. Belgian Francs. Fr. French Francs §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1988-89. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1989. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and P/E based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1988. N Dividend and yield based on prospectus or other official estimates for 1987. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p.... y	67	......
Craig & Rose £1.. y	710	......
Finlay Pkg. 5p.... y	86	+1
Holt (Jos) 25p..... y	£11¾	......

IRISH

Cap. 8¾% Ln. 1991....	£99¾	......
9pc Cap Ln. 1996..	£103¼	......
Fin. 13% 97/02..	£124¼	......
Arnotts..............	385	......
Carrol (P.J.)....... y	148	......
Grafton Grp........ y	145	+2
Hall (R. & H.)......	153	......
Helton Hldgs.........	63	-3
Irish Ropes...........	165	+20

TRADITIONAL OPTIONS

3-month call rates

Industrials	p
Allied-Lyons	40
Amstrad	18
BAT	40
BOC Grp.	36
BSR	7½
BTR	26
Barclays	34
Beecham	40
Blue Circle	39
Boots	29
Bowaters	38
Brit Aerospace	42
Brit. Telecom	21
Burton Ord	18
Cadburys	31
Charter Cons	45
Comm Union	28
Courtaulds	26
FKI Babcock	13
FNFC	21
Gen Accident	71
GEC	15
Glaxo	90
Grand Met	38
GUS 'A'	90
Guardian	16
GKN	28
Hanson	12
Hawker Sidd	48
ICI	85
Jaguar	22
Ladbroke	38
Legal & Gen	26
Lex Service	34
Lloyds Bank	29
Lucas Inds	48
Marks & Spencer	15
Midland Bk	35
Morgan Grenfell	28
NEI	12
Nat West Bk	45
P & O Dfd	48
Plessey	15
Polly Peck	28
Racal Elect	25
RHM	32
Rank Org Ord	63
Reed Intnl	38
STC	24
Sears	13
TI	32
TSB	9
Tesco	12
Thorn EMI	55
Trust Houses	24
T&N	16
Unilever	42
Vickers	15
Wellcome	42

Property	
Brit Land	38
Land Securities	52
MEPC	58
Peachey	54

Oils	
Brit Petroleum	21
Do. (P.Paid)	12
Burmah Oil	48
Calor	35
Charterhall	2½
Premier	5½
Shell	85
Ultramar	22

Mines	
Cons Gold	100
Lonrho	38
RTZ	40

Minority group blocks EC beef compromise

By Tim Dickson in Brussels

MR RAY MacSharry, the former Irish Finance Minister who takes over as Farm Commissioner in Brussels in the New Year, faces an early test of his negotiating skills next month following the collapse yesterday morning of a key meeting aimed at reforming the European Community's costly beef regime.

EC Commission officials confirmed that a fresh attempt will be made at January's Farm Council to reach agreement on beef and other sensitive issues after Britain, Ireland, France and Denmark yesterday formed a blocking minority to reject the Commission's latest compromise proposals.

Mr Michael O'Kennedy, Ireland's Agriculture Minister, had earlier threatened to veto the package unilaterally if necessary.

The result of more than 100 hours of weary discussion in the last 10 days came as a bitter disappointment to Mr Frans Andriessen, the outgoing Agriculture Commissioner who had hoped to round off his four-year term on a triumphant note.

However, the standing ovation from Ministers which he received as the meeting came to an end at breakfast time yesterday – recognition no doubt of the often unpalatable steps which he had forced them to take in the cause of trying to tame the runaway spending of the Common Agricultural Policy – may have provided some consolation.

Besides meat, the ill-fated package included the Commission's latest compromise on direct income payments; compensation for producers unfairly deprived of milk quotas because at the time of their introduction they had halted milk deliveries in return for a non-marketing premium paid by the community; aid for small cereal farmers; and a new support regime for nuts.

Most of the opposition, however, centred on plans for the beef regime. Ireland insisted that the Commission's proposed 200,000-tonne annual limit on intervention purchases was too low and the planned safety net too weak, and Mr John MacGregor, Britain's Agriculture Minister, was unhappy with arrangements for the new special premium (designed by the Commission to replace the UK's variable slaughter premium).

Mr Henri Nallet, of France, shared Irish concerns on beef as well as opposing the eligibility criteria for direct income aids, while Denmark voted against the package after failing to win a specific concession on the way it has been applying milk quotas.

In a vain bid to salvage something from the meeting – including a devaluation of the Green drachma – Mr Yannis Pottakis, the Greek chairman of the Council attempted to reach agreement on each item individually. Several member states, however, insisted that there had to be an "all or nothing" deal.

As a temporary measure the *Council has decided to roll* over the existing beef regime until 5 March and to prolong the current arrangements for New Zealand butter for the first three months of 1989, implying imports of 18,625 tonnes over the period.

● Separately the Commission said yesterday that it was studying details of the UK's emergency scheme to compensate egg producers. Under EC rules such national measures have to be formally approved by Brussels.

Indonesian production setback boosts nickel prices

By Kenneth Gooding, Mining Correspondent

NICKEL PRICES rose strongly for the second successive day on the London Metal Exchange yesterday as Inco, the world's largest producer of the metal, confirmed that its Indonesian subsidiary had suffered a production set-back.

A transformer at its PT Inco offshoot went out of service last week and production will be cut by 1m lbs a month (about 454 tonnes) until it is replaced. All of the Indonesian company's output is sold in Japan.

Inco said a new transformer was already on order and would be delivered in May or June next year at the latest. "We will do our best to make up production from elsewhere."

The LME cash price for nickel, which had jumped by $1,400 a tonne on Monday, advanced another $1,550 yesterday to close at $19,750 a tonne (about $8.96 a lb). The price of three-month metal, up $1,075 a tonne on Monday, rose a further $975 to $17,300 a tonne.

At this time last year the LME nickel cash price was below $3 a lb ($6,612 a tonne) but on March 28 a squeeze on the LME took it to $10.84 a lb ($23,900 a tonne).

Mr John Harris, analyst with Rudolf Wolff, the London metal broker, suggested yesterday that it would be no surprise to see the previous price peak reached again. Stainless steel mills in western Europe – major customers for nickel – had full order books and there were genuine shortages of the metal in the region.

Price volatility was being affected by the relatively thin levels of trading because many companies had closed their books for the holiday season, he added.

Industry observers pointed out that the cutback at PT Inco represented less than 1 per cent of non-communist world nickel production: about 550,000 tonnes a year. The last time PT Inco had a similar problem the transformer was quickly replaced with a used unit, they added.

Inco, whose break even production costs are now US$1.95 a lb, recently attempted "to stabilise the market at realistic levels" by signing three-year contracts for about 25 per cent of its nickel output at between $2.50 and $4.50 a lb.

The company recently sold a 20 per cent interest in PT Inco to Sumitomo Metal Mining Company of Japan for $100m.

Slower demand growth forecast for aluminium

By Kenneth Gooding

THE GROWTH in world-wide aluminium shipments, already at record levels, will continue in 1989 but at a more moderate and even pace, according to Mr William Bourke, chairman and chief executive of Reynolds Metals, the third largest North American aluminium group.

In his annual "state of the industry" message, Mr Bourke suggests that supply and demand for primary aluminium will be in relative balance next year and consequently prices are expected to be less volatile than in 1988.

"Yet unforeseen supply interruptions in the next year could create some instability in certain markets," he warns.

One potentially disruptive element has already been removed with the signing, six months ahead of schedule, of new three-year labour contracts between the United Steelworkers' and Aluminum, Brick and Glass Workers' unions and the two major US producers, Reynolds and Alcoa (Aluminium Company of America).

In the past these negotiations, which are usually concluded in the spring, have encouraged consumers to stock up in case of strike action and thus underpin the price in the early part of the new year.

Mr Bourke points out, however, that the world industry begins 1989 with customer stocks nearly 3 per cent leaner than a year ago while producer inventories have shrunk to historical lows and are less than three months' supply.

Reynolds expects increased demand in the coming year – particularly from the beverage container and transportation markets – to absorb all the anticipated additions to primary aluminium capacity, which are now projected to total only about 225,000 tonnes.

"As we begin 1989, world primary production is at an annual rate of about 14.3m tonnes or nearly 98 per cent of capacity," he points out.

According to Reynolds, total US aluminium industry shipments rose an estimated 3.5 per cent in 1988 to a record 16.9bn lbs and should top 17.2bn lbs next year.

A major source of strength for the US producers, says Mr Bourke, was their export performance which grew in 1988 by one third, from 1.255bn lbs to 1.672bn, and accounted for nearly 10 per cent of US shipments. "With persistent strength in economies around the world in 1989, today's more competitive US industry and a weaker but stable US dollar, we expect this trend to continue."

Mr Bourke says he is especially encouraged by the prospects for the overseas aluminium industry, which is healthy and growing again following years of retrenchment and restructuring earlier this decade.

"We expect the US to continue to be the world's largest market for aluminium in the foreseeable future. But the 1990s will produce stellar growth for aluminium in markets around the world where aluminium consumption has traditionally lagged."

Why producers are bullish about the pig market

Prices are rising, but so are herd numbers, and farmers know the good times cannot last indefinitely

FARMER'S VIEWPOINT

By David Richardson

LAST WEEK IN the intensive livestock producing areas of Britain there was cause for modest celebration. It had nothing to do with the departure from office of Mrs Edwina Currie, although most of the celebrants were doubtless united with egg producers in their condemnation of that lady's sweeping statements on Salmonella. The particular people I refer to were pig farmers who had just seen the UK Average All Pigs Price rise above 100p a kilogram for the first time in more than two years.

The AAPP is calculated weekly using a complicated formula which includes prices paid for pig meat at a variety of outlets and forms the basis of most contracts between farmers and abattoirs. It is also a reliable barometer of the health of the pig industry.

Back in the autumn of 1984 the AAPP peaked at its highest ever level of 116p a kilogram, dead weight. Profits from efficient pig production at that time were good and, as so often before, farmers both in the UK and Europe, where similar prices applied, expanded their herds. It was the beginning of another wave in the notorious pig cycle. By December 1985 increased supplies had driven the AAPP down to 105p a kilogram; a year later its was 100p; and a year after that 96p.

The pre-Christmas period is traditionally one of maximum demand for pig meat, however, as housewives stock up with joints and hams on which to feed their families' over the holiday. Almost invariably there is a so-called seasonal fall in pig prices in the new year which often continues until the spring. Last February the AAPP fell to 86p a kilogram and only rose above 90p at the beginning of the summer holiday period in June. The sharp rise to present levels began in October, in anticipation of this year's Christmas trade.

Financial losses were so severe earlier this year that many pig farmers were forced out of business. We sold out of our own herd on this farm in May, after months of losing big money on every pig marketed.

By August the European breeding herd had fallen by 5.2 per cent from the level a year earlier. The British herd had disposed of 3.5 per cent of its breeding sows and as losses continued through the summer it is almost certain that numbers continued to fall. This month's UK census of pig numbers, not yet published, is expected to show a further significant decline.

European production and consumption of pig meat are now close to equilibrium, however; hence the rise in prices. But to make pig farming worthwhile returns need to rise substantially. According to Mr Bob Ridgeon, who runs the Cambridge University Land Economy Department's pig management scheme, most pig farmers are probably still *barely breaking* even.

Based on the average production efficiency of 140 or so East Anglian herds recorded through the scheme, current spot market prices for porker pigs (weighing 53 kg dead weight) mean they are losing 20p per head. By the same calculation cutter pigs of 58 kg are making a modest profit of £2.09 per head and baconers (65 kg) an even smaller margin of 64 pence. But none of those figures take any account of interest on any money borrowed to finance operations.

The price of feed has now stabilised, however, and could well fall marginally in the new year. Moreover, while the usual post-Christmas drop in demand for pig meat seems likely to force the value of pigs down by a few pence a kilogram for a few weeks, supplies are not expected to exceed demand for long and a swift recovery should be assured. The 3.2 per cent devaluation of the "green pound" on January 1 will increase export returns on UK pig meat marginally, but it will also raise the cost of cereal feed.

The Meat and Livestock Commission is forecasting a steady rise in price to an AAPP of 102p to 104p a kilogram next autumn. But Mr Ridgeon believes the shortage of pig meat will be more severe than the MLC's predictions imply and that the AAPP will be 106p to 108p by the spring and 110p to 115p by the late autumn.

The EC's involvement in the pig industry is what is described in community jargon as "light". It consists of providing limited cash aid to abattoirs to help finance the private storage of specified cuts of pig meat during periods of over-supply. The idea is to relieve market pressure at such times in the hope that prices will recover.

The aid has been made available for periods of a few months during each of the last few years. Slaughterers are invited to select the length of time they wish to store and to specify which part of the carcass, such as legs, loins, middles and so on. They must then lodge a security bond of 20 per cent of the value of the expected aid with the MLC, which is the supervisory agency in the UK, and send their pig meat to an approved cold store. At the end of the storage period the scheme pays for storage costs, interest on the capital involved and covers the handling charges.

Essentially it is a gamble on the part of the slaughterer that the value of pig meat will be higher at the end of the period than when it goes into storage.

Slaughterers also complain that, since the rates of aid are set at uniform levels across the EC, the consistently higher levels of UK interest rates, compared with most other community countries, leave the the British pig industry at a disadvantage.

The current private storage aid scheme, which accepted carcasses between February 15 and June 4 this year, has almost run its course. Only 62 tonnes of pig meat is left in UK stores at present, and of the 203,000 tonnes which was stored across Europe during the period three-quarters has emerged and been sold. All the meat is scheduled to come out of storage by February 1989. But the quantity is so small that it should have only a marginal effect on prices.

All in all therefore British pig farmers can perhaps afford to be bullish about pigs – at least I sincerely hope so. Having sold out during the worst of the crisis, we have now restocked our farm buildings and expect to have pigs for sale within two to three months.

Brazilian coffee estimate

By John Barham in Sao Paulo

THE BRAZILIAN Coffee Institute has said it expects the 1989-90 harvest to yield 22.9m bags (of 60 kg).

The market had originally expected a harvest of over 40m bags, but extreme weather has damaged bushes in the Southern coffee states of Sao Paulo and Parana.

Producers claim the IBC's forecast is over-optimistic. Farmers in Sao Paulo and Minas Gerais, the two main coffee growing states, say they expect a total harvest of no more than 20m bags. The more pessimistic speak of 18m bags.

Mr Jorio Dauster, the institute's president, said it would draw on its buffer stock of 17.5m bags to avoid reducing exports.

● On the London robusta futures market yesterday the March position reached £1,204 a tonne at one point, up £87 from a week ago. But the price drifted back to close at £1,181 a tonne, down £7 on the day.

WEEKLY METALS

All prices as supplied by Metal Bulletin (last week's prices in *brackets*).

ANTIMONY: European free market 99.6 per cent, $ per tonne, in warehouse, 1,925-2,025 (1,950-2,050).

BISMUTH: European free market, min. 99.99 per cent, $ per lb, tonne lots in warehouse, 6.45-6.60 (6.20-6.50).

CADMIUM: European free market, min. 99.5 per cent, $ per lb, in warehouse, ingots 7.00-7.40 (same), sticks 7.00-7.40 (same).

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse, 7.55-7.80 (same).

MERCURY: European free market, min. 99.99 per cent, $ per 76 lb flask, in warehouse, 285-300 (same).

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse, 3.48-3.53 (3.45-3.50).

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse, 8.90-9.30 (same).

TUNGSTEN ORE: European free market, standard min. 65 per cent, $ per tonne unit (10 kg) WO, cif, 56-63 (55-63).

VANADIUM: European free market, min. 98 per cent, VO, cif, 6.60-7.50 (6.20-6.70).

URANIUM: Nuexco exchange value, $ per lb, UO, 14.15 (same).

WORLD COMMODITIES PRICES

LONDON MARKETS

COCOA prices closed firmer, but seemingly unaffected by a Reuter report which quoted an unnamed official saying that France is to grant FF400m in aid to the Ivory Coast, the world's biggest producer. The continuing saga of possible French aid to the Ivory Coast has left the market extremely sceptical, with traders inclined to wait for definite confirmation and full details of a deal before acting. According to the latest report the French aid is to compensate the Ivory Coast for export taxes waived on 200,000 tonnes of cocoa. On the bullion market platinum closed higher, supporting the other precious metals. A statement by the chairman of Rustenburg Platinum questioning whether Ford's new catalytic converter would meet exacting US standards helped *platinum higher and trimmed* gains in palladium.

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$12.50-2.70w	+0.05
Brent Blend	$15.00-5.10q	+0.05
W.T.I. (1 pm est)	$16.82-6.85q	+.195
Oil products (NWE prompt delivery per tonne CIF)		+ or -
Premium Gasoline	$172-175	+1
Gas Oil	$149-151	-3
Heavy Fuel Oil	$69-71	
Naphtha	$139-141	+1
Petroleum Argus Estimates		
Other		+ or -
Gold (per troy oz)♣	$413.75	+0.50
Silver (per troy oz)♣	612c	+2
Platinum (per troy oz)	$532.50	+5.50
Palladium (per troy oz)	$137.60	-8.40
Aluminium (free market)	$2475	+35
Copper (US Producer)	$168\frac{5}{8}$-64$\frac{1}{2}$c	+1$\frac{1}{4}$
Lead (US Producer)	41$\frac{1}{4}$c	
Nickel (free market)	890c	+120
Tin (European free market)	£4152.5	+27.5
Tin (Kuala Lumpur market)	19.65r	+0.04
Tin (New York)	345.5c	
Zinc (Euro. Prod. Price)	$1500	
Zinc (US Prime Western)	72$\frac{7}{8}$c	
Cattle (live weight)†	113.94p	-2.49*
Sheep (dead weight)†	169.72p	+0.09*
Pigs (live weight)†	77.37p	-2.31*
London daily sugar (raw)	$274.0u	-4.0
London daily sugar (white)	$286.5u	-1.0
Tate and Lyle export price	£260.0	-1.5
Barley (English feed)	£114q	
Maize (US No. 3 yellow)	£131	
Wheat (US Dark Northern)	£119.5v	-1.5
Rubber (spot)♥	55.75p	+0.50
Rubber (Jan)♥	62.50p	+0.50
Rubber (Feb)♥	63.25p	+0.50
Rubber (KL RSS No 1 Jan)	287.5m	-1.0
Coconut oil (Philippines)§	$565z	
Palm Oil (Malaysian)§	$400	
Copra (Philippines)§	$380	
Soyabeans (US)	$187.5q	+3.0
Cotton "A" index	62.05c	+0.10
Wooltops (64s Super)	637p	+4

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. z-Dec/Jan. w-Feb. v-Apr/May. u-Jan/Feb. q-Jan. †Meat Commission average fatstock prices. * change from a week ago. ♥London physical market. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg.

COCOA £/tonne

	Close	Previous	High/Low	
Dec	832	817	831	824
Mar	860	848	861	851
May	860	850	860	853
Jul	864	855	865	858
Sep	866	858	867	860
Dec	885	880	885	876
Mar	892	887	897	890

Turnover: 4026 (3224) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Dec 19: 1094.64 (1068.06):10 day average for Dec 20: 1082.59 (1084.64).

COFFEE £/tonne

	Close	Previous	High/Low	
Jan	1165	1180	1189	1162
Mar	1182	1188	1204	1173
May	1174	1179	1197	1168
Jly	1174	1179	1195	1166
Sep	1176	1180	1193	1170
Nov	1178	1175	1184	1180

Turnover:5918 (9820) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Dec 19: Comp. daily 128.32 (123.85): . 15 day average 118.43 (117.42).

SUGAR ($ per tonne)

Raw	Close	Previous	High/Low	
Mar	254.00	247.00	257.00	243.00
May	251.00	242.20	253.00	240.00
Aug	244.00	236.00	241.00	234.00
Oct	236.60	230.80	237.00	229.00
Dec	233.60	226.00	233.20	225.00
White	**Close**	**Previous**	**High/Low**	
Mar	288.50	282.00	290.00	279.00
May	284.50	279.00	284.00	275.50
Aug	285.50	280.00	277.50	277.00
Oct	278.50	271.00	273.00	270.00
Mar	278.50	·	268.00	

Turnover: Raw 2760 (1821) lots of 50 tonnes. White 1648 (655).
Paris- White (FFr per tonne): Mar 1715, May 1705, Aug 1705, Oct 1665, Dec 1655, Mar 1655

LONDON METAL EXCHANGE TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jan	Mar	Jan	Mar
2350	152	167	9	95
2450	78	118	35	143
2550	31	80	87	204
Copper (Grade A)	**Calls**		**Puts**	
3000	351	290	16	186
3200	196	198	60	290
3400	90	131	153	419

JUTE
January/February 1989 c and f Dundee BTC $475, BWC $485, BTD $425, BWD $435; c and f Antwerp BTC $455, BWC $445, BWD $400, BTD $410.

COTTON
Liverpool- Spot and shipment sales for the week ended December 16 amounted to 353 tonnes against 394 tonnes in the previous week. Trading was very much the same with operations occuring in Soviet, Turkish, Pakistan and west African goods.

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open interest
Aluminium, 99.7% purity ($ per tonne)						Ring turnover 10,200 tonne
Cash	2460-90	2440-50		2470-80		
3 months	2410-4	2385-90	2420/2405	2404-6	2420-5	24,650 lots
Copper, Grade A (£ per tonne)						Ring turnover 31,650 tonne
Cash	1890-3	1787-92	1885/1880	1884-6		
3 months	1717-8	1645-7	1726/1695	1705-7	1725-6	70,758 lots
Silver (US cents/fine ounce)						Ring turnover 0 ozs
Cash	608-11	604-7		606-8		
3 months	622-5	617-20		620-2		465 lots
Lead (£ per tonne)						Ring turnover 10,875 tonne
Cash	403-5	395-6	400	399.5-400.5		
3 months	395-6	391-2	397/393	393-4	397-8	11,006 lots
Nickel ($ per tonne)						Ring turnover 2,052 tonne
Cash	19650-850	18150-250	19600/19400	19500-600		
3 months	17250-350	16300-50	17400/16700	17200-300	17350-400	5,521 lots
Zinc, Special High Grade ($ per tonne)						Ring turnover 3,250 tonne
Cash	1580-5	1567-72		1582-7		
3 months	1545-7	1535-6		1543-5	1545-50	1,944 lots
Zinc ($ per tonne)						Ring turnover 9,425 tonne
Cash	1577-82	1566-8	1583/1580	1583-4		
3 months	1527-9	1517-9	1535/1525	1529-30	1530-5	12,126 lots

POTATOES £/tonne

	Close	Previous	High/Low	
Feb	68.0	65.0		
Apr	89.6	88.7	89.5	88.5
May	104.0	103.5	104.0	103.0

Turnover 167 (221) lots of 40 tonnes.

SOYABEAN MEAL £/tonne

	Close	Previous	High/Low	
Feb	167.00	165.50	167.00	164.00
Apr	170.00	169.00	170.00	168.00
Jun	160.00		160.00	

Turnover 179 (45) lots of 20 tonnes.

FREIGHT FUTURES $10/index point

	Close	Previous	High/Low	
Dec	1520		1522	1518
Jan	1555	1548	1558	1548
Apr	1597	1585	1597	1585
Jul	1405		1406	1390
BFI	1518	1517		

Turnover 222 (80)

GRAINS £/tonne

Wheat	Close	Previous	High/Low	
Jan	110.00	110.40	110.25	109.70
Mar	113.80	114.16	113.85	113.60
May	117.30	117.55	117.30	117.20
Jun	118.50	119.10	118.50	

Barley	Close	Previous	High/Low	
Jan	107.50	107.90	107.80	107.50
Mar	111.00	111.35	111.30	111.00
Nov	102.50		102.50	

Turnover: Wheat 253 (376), Barley 353 (215). Turnover lots of 100 tonnes.

LONDON BULLION MARKET

Gold (fine oz)	$ price	£ equivalent
Close	413$\frac{1}{2}$-414	229-229$\frac{1}{2}$
Opening	413$\frac{3}{4}$-414$\frac{1}{4}$	227$\frac{3}{4}$-228$\frac{1}{4}$
Morning fix	413.20	228.035
Afternoon fix	412.90	228.457
Day's high	413$\frac{3}{4}$-414$\frac{1}{4}$	
Day's low	412-412$\frac{1}{2}$	

Coins	$ price	£ equivalent
Mapleleaf	426-431	236-239
Britannia	426-431	236-239
US Eagle	426-431	236-239
Angel	423-428	234$\frac{1}{2}$-237
Krugerrand	412$\frac{1}{2}$-415$\frac{1}{2}$	228$\frac{1}{2}$-230$\frac{1}{2}$
New Sov.	97$\frac{1}{4}$-98$\frac{1}{4}$	53$\frac{3}{4}$-54$\frac{1}{2}$
Old Sov.	97$\frac{1}{4}$-98$\frac{1}{4}$	53$\frac{3}{4}$-54$\frac{1}{2}$
Noble Plat	536.95-549.00	295.75-302.40

Silver fix	p/fine oz	US cts equiv
Spot	336.50	608.10
3 months	347.00	622.10
6 months	357.75	636.70
12 months	378.65	666.65

CRUDE OIL $/barrel

	Close	Previous	High/Low	
Feb	14.82	14.72	14.76	14.45
Mar	14.60	14.62	14.55	14.33
IPE Index	14.77	14.80		

Turnover: 3867 (1765)

GAS OIL $/tonne

	Close	Previous	High/Low	
Jan	147.00	147.50	146.75	143.75
Feb	142.50	143.25	143.25	140.00
Mar	137.50	136.25	137.75	134.75
Apr	131.50	132.00	132.00	129.75
May	127.50	128.00	128.75	126.00
Jun	125.75	125.50	126.50	123.75
Jul	125.75	125.75	125.75	123.75

Turnover 5922 (5228) lots of 100 tonnes

US MARKETS

IN THE METALS, the gold and silver markets failed to sustain any rallies as a strong dollar and larger GNP put pressure on the markets. Platinum futures made a slight recovery as prices gained $5 on mixed short covering. Copper prices advanced on fund buying early in the session. The softs all had active sessions with coffee and cocoa futures having the busiest markets. Coffee prices rose over 1000 points in March as the smaller Brazilian crop and ongoing dock strike were blamed for the advance. Cocoa futures also made strong gains with prices ralling over 80 points on the day. News about France planning to aid the Ivory Coast was noted. Commission house and fund buying firmed up in the sugar market. March closed at 11.26 up 27 on the day. In the grains, professional profit taking kept the markets weak with no fresh news to report. The expiration of the December contracts also added liquidation to the grains. Heavy speculative selling in the orange juice sent prices down over 300 points in January. Mild weather predicted in Florida was also noted.

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Dec	414.0	414.4	415.0	413.0
Jan	415.3	415.8	0	0
Feb	417.5	418.0	418.5	416.2
Apr	423.0	423.5	424.0	421.8
Jun	428.4	428.9	429.3	426.5
Aug	434.0	434.5	434.2	433.2
Oct	439.6	440.1	0	0
Dec	445.2	445.7	444.5	443.5
Feb	417.5	418.0	418.5	416.2

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Dec	535.8	528.3	548.0	531.0
Jan	530.8	525.3	541.9	528.0
Apr	524.3	518.8	532.5	523.0
Jul	521.3	516.3	530.0	520.0
Oct	521.3	516.3	529.0	520.0
Jan	522.8	517.8	530.0	524.0

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Dec	609.3	611.0	613.0	608.0
Jan	611.4	613.1	0	0
Mar	621.3	623.0	625.0	620.0
May	631.6	633.3	635.5	631.5
Jul	642.3	644.0	646.5	641.5
Sep	652.9	654.6	657.0	655.0
Dec	666.3	670.1	672.0	668.0
Jan	672.6	674.4	0	0
Mar	683.9	685.8	0	0

COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	158.90	155.75	159.50	156.00
Jan	149.50	146.25	0	0
Feb	142.50	140.40	0	0
Mar	136.00	134.60	136.90	133.90
May	126.90	126.70	127.50	125.60
Jul	122.60	123.45	124.00	122.25
Sep	119.30	120.20	120.50	120.00
Dec	115.80	116.70	116.50	115.60

CRUDE OIL (Light) 42,000 US galls $/barrel

	Latest	Previous	High/Low	
Jan	16.88	16.31	16.90	16.05
Feb	16.10	15.82	16.19	15.61
Mar	15.70	15.43	15.80	15.33
Apr	15.50	15.31	15.55	15.21
May	15.37	15.23	15.43	15.14
Jul	15.30	15.13	15.30	15.05
Aug	15.25	15.09	15.25	15.00
Sep	15.35	15.05	15.35	14.95

HEATING OIL 42,000 US galls, cents/US galls

	Latest	Previous	High/Low	
Feb	5040	4973	5065	4915
Mar	4780	4705	4790	4650
Apr	4510	4425	4510	4372
May	4315	4247	4350	4200
Jun	4215	4177	4215	4160
Aug	4175	4202	4175	4175

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Mar	1524	1442	1528	1431
May	1509	1441	1510	1431
Jul	1515	1446	1520	1432
Sep	1513	1453	1460	1460
Mar	1538	1480	1475	1475
May	1553	1495	0	0

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Mar	155.43	145.08	156.00	143.50
May	153.43	142.85	153.56	141.50
Jul	148.39	142.39	148.39	141.00
Sep	146.30	140.30	145.50	140.25
Dec	145.38	142.25	147.00	145.00
Mar	143.38	137.38	0	0
May	143.00	137.00	0	0

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	8.80	9.03	10.00	9.00
Mar	11.26	10.99	11.43	10.75
May	11.05	10.71	11.17	10.09
Jul	10.77	10.44	10.84	10.26
Oct	10.53	10.26	10.66	10.05
Jan	9.63	9.35	0	0
Mar	10.28	9.91	10.30	9.90
May	10.03	9.66	0	0

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Mar	59.16	58.55	59.20	58.50
May	59.12	58.61	59.25	58.72
Jul	59.22	58.70	59.30	58.75
Oct	57.55	57.32	0	0
Dec	57.20	56.95	57.20	56.90
Mar	56.90	56.78	0	0

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jan	162.60	165.80	164.70	162.50
Mar	162.10	164.95	163.75	162.05
May	163.05	165.90	164.25	162.40
Jul	163.00	165.25	164.00	162.80
Sep	163.00	164.75	163.25	163.00
Nov	161.45	163.70	0	0
Jan	162.75	159.00	0	0
Mar	162.75	159.00	0	0
May	162.75	159.00	0	0

INDICES

REUTERS (Base: September 18 1931 = 100)

Dec 19	Dec 16	mnth ago	yr ago
1919.0	1919.1	1843.4	1696.5

DOW JONES (Base: Dec. 31 1974 = 100)

Spot	139.66	139.18	133.16	132.73
Futures	144.56	142.93	138.53	135.32

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jan	786/4	793/4	792/0	783/0
Mar	800/4	807/4	804/0	797/0
May	809/6	815/4	814/0	807/0
Jul	811/4	817/0	817/0	807/6
Aug	800/6	804/4	802/0	795/0
Sep	749/6	754/0	752/0	747/0
Nov	711/6	715/6	715/0	710/0

SOYABEAN OIL 60,000 lbs; cents/lb

	Close	Previous	High/Low	
Dec	23.20	23.15	23.25	23.03
Jan	23.21	23.23	23.38	23.14
Mar	23.75	23.78	23.89	23.62
May	24.29	24.28	24.40	24.15
Jul	24.75	24.75	24.88	24.65
Aug	24.85	24.80	25.00	24.85
Sep	24.90	24.95	25.05	24.90
Oct	25.02	24.95	25.05	24.90

SOYABEAN MEAL 100 tons; $/ton

	Close	Previous	High/Low	
Dec	253.0	258.2	256.1	253.0
Jan	254.1	258.1	256.5	253.3
Mar	254.7	259.0	257.5	254.3
May	252.2	256.2	255.0	251.5
Jul	247.2	250.7	248.5	246.5
Aug	239.5	242.5	242.0	239.0
Sep	230.0	232.0	230.1	228.0
Oct	215.4	218.0	216.0	215.0

MAIZE 5,000 bu min; cents/56lb bushel

	Close	Previous	High/Low	
Dec	267/0	270/4	270/4	266/2
Mar	280/0	283/2	282/0	279/0
May	284/6	287/4	286/0	283/6
Jul	286/6	289/0	288/0	286/0
Sep	270/2	273/4	272/4	270/2
Dec	264/2	267/4	266/4	264/0

WHEAT 5,000 bu min; cents/60lb-bushel

	Close	Previous	High/Low	
Dec	434/4	436/4	435/6	434/4
Mar	437/2	439/6	438/4	435/0
May	426/0	426/2	426/0	423/0
Jul	393/2	395/0	394/0	388/0
Sep	398/2	397/4	398/4	394/0
Dec	406/0	408/4	408/0	402/0

LIVE CATTLE 40,000 lbs; cents/lbs

	Close	Previous	High/Low	
Dec	73.65	73.65	73.90	73.40
Feb	73.30	73.22	73.40	72.97
Apr	74.92	75.00	75.00	74.75
Jun	73.42	73.62	73.70	73.40
Aug	71.10	71.17	71.25	71.00
Sep	70.60	70.70	70.65	70.40
Oct	70.25	70.30	70.50	70.25

LIVE HOGS 30,000 lb; cents/lbs

	Close	Previous	High/Low	
Dec	45.75	44.65	46.00	44.05
Feb	46.15	46.27	46.27	45.92
Apr	44.88	45.15	45.10	44.75
Jun	49.47	49.67	49.70	49.32
Jul	49.55	49.80	49.75	49.40
Aug	48.95	49.00	49.00	48.80
Oct	45.35	45.20	45.40	45.10
Dec	46.85	46.50	46.85	46.50

PORK BELLIES 38,000 lbs; cents/lb

	Close	Previous	High/Low	
Feb	45.52	45.40	45.60	44.65
Mar	45.92	45.53	45.95	45.20
May	47.55	47.27	47.67	46.90
Jul	48.75	48.60	48.75	48.20
Aug	47.75	47.85	47.85	47.40
Feb	60.95	60.85	60.95	0

WORLD STOCK MARKETS

CANADA

TORONTO

2pm prices December 20

2340 Con Capital	$11	11	11	
20000 CenCap A	$8½	8⅜	8⅜	− ⅛
100 CentFd A	$5⅝	5⅝	5⅝	
3475 C Guar Trc	$18⅞	18⅝	18⅝	− ⅛
3500 Charan	200	200	200	− 5
6800 CHUM B f	$19½	19½	19½	
88865 Cineplex	$14⅛	13¾	14⅛	+ ⅛
300 Co Steel f	$16⅝	16⅝	16⅝	+ ⅛
899625 Horsham f	$8⅝	8¼	8⅝	
472 H BayMn s	$8⅜	8⅜	8⅜	+ ⅛
7086 H Bay Co	$23⅞	23⅝	23⅞	+ ¼
45934 Imasco L	$27⅝	27½	27½	− ⅛
46637 Imp Oil A	$49⅞	48⅝	49⅞	+ ⅞
156128 Inco	$32⅛	30	31⅞	+2
7724 Inland Gas	$12½	12⅜	12½	+ ⅛
800 Innopac	$11⅝	11⅝	11⅝	
8810 Inter City	$20¾	20½	20⅝	− ⅛
16450 Powr Cor f	$12⅝	12⅝	12½	− ⅛
28200 Powr Fin	$14½	14¾	14⅛	
3984 Provigo	$10¾	10⅝	10¾	+ ⅛
150 Que Tel	$13¾	13¾	13¾	
300 Quebcor A	$20	20	20	
20500 Ranger	$6⅛	6	6	− ⅛
2800 Rayrock f	$6⅛	6	6	− ⅛
640 Westmin	$9	9	9	
2980 Weston	$35½	35⅛	35⅛	− ⅝
6283 Woodwd A	450	445	445	− 5

f—No voting rights or restricted voting rights.

INDICES

NEW YORK DOW JONES

	Dec 19	Dec 16	Dec 15	Dec 14	1988 High	1988 Low	Since compilation High	Since compilation Low
◊Industrials	2172.68	2150.71	2133.00	2134.25	2183.50 (21/10)	1879.14 (20/1)	2722.42 (25/8/87)	41.22 (2/7/32)
Home Bonds	88.44	88.48	88.59	89.02	91.25 (3/3)	86.12 (4/1)	–	–
Transport	970.90	960.95	954.76	948.88	960.95 (16/12)	737.57 (21/1)	1101.16 (14/8/87)	12.32 (8/7/32)
Utilities	184.98	184.51	183.38	184.45	190.02 (29/1)	167.26 (20/4)	227.83 (22/1/87)	10.50 (8/4/32)

◊Day's High 2179.64 (2155.00) Low 2141.07 (2131.25)

STANDARD AND POOR'S	Dec 19	Dec 16	Dec 15	Dec 14	1988 High	1988 Low	Since compilation High	Since compilation Low
Composite ‡	278.91	276.29	274.28	275.31	282.88 (20/10)	242.63 (20/1)	336.77 (25/8/87)	4.40 (1/6/32)
Industrial	321.97	318.70	316.24	317.41	327.53 (24/10)	277.86 (20/1)	393.17 (25/8/87)	3.62 (21/6/32)
Financial	24.76	24.66	24.62	24.72	26.42 (20/10)	21.51 (8/1)	32.43 (25/8/87)	8.64 (1/10/74)
NYSE Composite	156.38	155.16	154.17	154.72	159.01 (20/10)	136.72 (20/1)	187.99 (25/8/87)	4.46 (25/4/42)
Amex Mkt. Value	298.70	297.37	294.31	295.00	309.33 (10/6)	262.76 (12/1)	365.01 (13/8/87)	29.31 (9/12/72)
NASDAQ OTC Comp	376.39	375.80	373.01	372.77	394.77 (18/7)	331.97 (12/1)	455.28 (26/8/87)	54.87 (31/10/72)

	Dec 16	Dec 9	Dec 2	year ago (approx.)
Dow Industrial Div. Yield	3.73	3.71	3.79	3.50

	Dec 14	Dec 7	Nov 30	year ago (approx.)
S & P Industrial div. yield	3.22	3.15	3.21	3.31
S & P Indl. P/E ratio	12.73	12.80	12.64	16.39

TRADING ACTIVITY † Volume Millions	Dec 19	Dec 16	Dec 15
New York	162.794	196.480	136.820
Amex	11.710	12.887	10.450
OTC	131.177	133.140	111.616

NEW YORK	Dec 19	Dec 16	Dec 15
Issues Traded	1,960	1,952	1,938
Rises	839	1,008	537
Falls	598	448	867
Unchanged	523	496	534
New Highs	45	30	13
New Lows	34	28	46

CANADA

TORONTO	Dec 19	Dec 16	Dec 15	Dec 14	1988 High	1988 Low
Metals & Minerals	3091.8	3066.0	3019.6	2979.5	3226.5 (5/7)	2238.7 (8/2)
Composite	3320.4	3303.0	3284.0	3289.9	3465.4 (5/7)	2977.9 (8/2)
MONTREAL Portfolio	1672.75	1655.70	1644.03	1638.14	1723.71 (5/7)	1305.06 (27/1)

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Closing price	Change on day
Morgan (JP)	9,918,800	36⅛	+ ⅛
Portland	4,623,300	22⅞	
Pillsbury	3,063,200	65⅛	+ 3⅛
Tiger International	2,947,300	19⅞	+ ½
Am T&T	2,416,200	30	+ ⅛
INCO	2,283,100	24⅞	+ ⅛
Nabisco	2,173,300	89⅞	+ ⅞
Gen Electric	2,016,800	46	+ 1
Baxter Intl	1,613,100	17½	+ ⅛
Mobil	1,475,000	45⅛	

Base values of all indices are 100 except NYSE All Common – 50, Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

WORLD INDICES

	Dec. 20	Dec. 19	Dec. 16	Dec. 15	1988 High	1988 Low
AUSTRALIA						
All Ordinaries (1/1/80)	1462.1	1451.6	1447.3	1463.3	1657.8 (9/8)	1170.7 (10/2)
All Mining (1/1/80)	659.3	654.0	653.8	665.0	847.8 (9/8)	532.4 (10/2)
AUSTRIA						
Credit Aktien (30/12/84)	221.1	218.7	217.9	218.3	225.48 (4/11)	163.98 (11/2)
BELGIUM						
Brussels SE (1/1/84)	5464.86	5410.4	5406.6	5404.0	5464.86 (20/12)	3608.35(4/1)
DENMARK						
Copenhagen SE (3/1/83)	259.29	256.62	255.42	254.49	261.07 (6/12)	180.68 (4/1)
FINLAND						
Unitas General (1975)	719.1	723.0	727.0	729.2	772.1 (8/8)	530.6 (15/1)
FRANCE						
CAC General (31/12/82)	395.0	394.0	393.4	393.0	397.2 (9/11)	251.3 (29/1)
Ind. Tendance (31/12/87)	152.0	150.8	150.5	150.2	153.4 (4/11)	89.7 (29/1)
GERMANY						
FAZ Aktien (31/12/58)	549.05	541.23	536.57	530.88	549.05 (20/12)	396.40 (29/1)
Commerzbank (1/12/53)	1649.8	1623.8	1610.6	1592.1	1649.8 (20/12)	1287.9 (29/1)
DAX (30/12/87)	1333.04	1315.98	1296.31	1285.33	1333.04(20/12)	931.18 (28/1)
HONG KONG						
Hang Seng Bank (31/7/64)	2607.97	2611.84	2629.16	2627.22	2772.53 (12/7)	2223.56 (8/2)
ITALY						
Banca Com. Ital. (1972)	585.81	583.10	573.41	570.37	593.43 (9/11)	423.91 (9/2)
JAPAN**						
Nikkei (16/5/49)	29567.94	29470.08	29536.71	29705.75	30050.82 (7/12)	21217.04 (4/1)
Tokyo SE (Topix) (4/1/68)	2280.89	2276.02	2279.36	2297.36	2314.20 (7/12)	1690.44 (4/1)
NETHERLANDS						
ANP-CBS General (1970)	285.2	283.2	280.2	278.1	285.8 (26/10)	205.7 (4/1)
ANP-CBS Industrial (1970)	249.7	248.8	246.3	245.7	252.6 (31/10)	157.9 (11/1)
NORWAY						
Oslo SE (4/1/83)	453.56	448.86	441.44	440.44	453.56 (20/12)	327.78 (28/1)
SINGAPORE						
Straits Times Ind. (30/12/66)	1014.75	1007.85	1002.55	1003.32	1177.87 (8/8)	833.60(4/1)
SOUTH AFRICA						
JSE Gold (28/9/78)	1290.0‡	1297.0	(c)	1321.0	1451.0 (7/7)	1154.0 (4/5)
JSE Industrial (28/9/78)	1905.0‡	1902.0	(c)	1902.0	1906.0 (12/12)	1387.0 (12/2)
SPAIN						
Madrid SE (30/12/85)	279.50	278.61	277.50	277.23	301.63 (15/6)	225.50 (4/1)
SWEDEN						
Jacobson & P. (31/12/56)	3399.3	3368.0	3378.5	3351.3	3399.3 (20/12)	2148.5 (4/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	587.6	583.1	582.4	583.1	591.6 (12/12)	466.6 (13/1)
WORLD						
M.S. Capital Intl. (1/1/70)	(u)	486.5	485.2	487.7	493.8 (6/12)	401.0 (21/1)

**Saturday Dec. 17: Japan Nikkei (c) and TSE (c)

‡ Subject to official recalculation.

Base values of all indices are 100 except Brussels SE and DAX – 1,000 JSE Gold – 255.7 JSE Industrials – 264.3 and Australia, All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

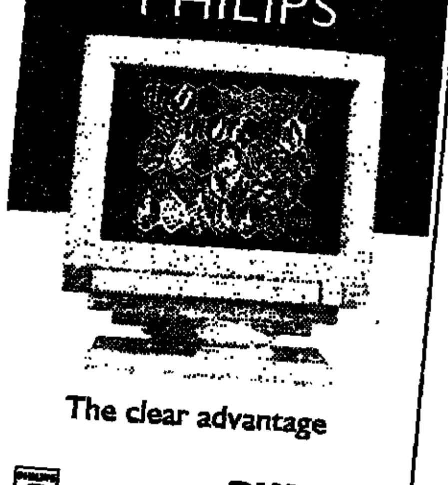
AMEX COMPOSITE PRICES

3pm prices December 20

3pm prices December 20

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
		– A – A – A –								
27⅞	16⅝	AAR	.44	1.8	17	100	24⅞	24⅛	24⅛	+ ⅛
10⅛	8½	ACM n	1.01	12.		227	8⅞	8½	8½	
12⅛	10⅝	ACMIn	1.28a	12.		1142	10⅝	10½	10⅝	+ ⅛
10⅛	8⅞	ACM M	n.08e	.8		361	10	9⅞	9⅞	− ⅛
12⅛	10¼	ACMSc	n1.26	12.		937	10½	10⅜	10½	+ ⅛
10⅛	8½	ACMSp	n1.01a	12.		901	8⅞	8½	8⅞	
5⅞	2⅝	AMCA	.12b	3.7		63	3⅛	3⅛	3⅛	
8⅞	3⅞	AM Int				844	4⅞	4⅞	4⅞	
23¼	18⅛	AM Int pf	2	9.4		84	21½	21⅜	21½	
56	32⅞	AMR			9	2274	54⅞	54	54	− ⅛
9½	5⅛	ARX			10	80	6⅛	6	6	− ⅛
[illegible]										



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NYSE COMPOSITE PRICES

Continued from previous Page

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
7	5¾	PruRl	.66	11.		57	6½	6⅜	6⅜	
10¼	8⅜	PruStr	n1.05a	12.		1621	8½	8⅜	8½	
23⅞	19½	PSvCol	2	9.2	6	612	21⅞	21⅝	21⅝	+ ⅛
23⅜	21	PSCol	pf2.10	9.9		7	21¼	21¼	21¼	− ⅛
77	66	PSIn	pf07.15	10.		z400	69½	68	69½	+1½
6½	2¼	vjPSNH				704	5⅞	5½	5⅞	
17¾	4	vjPSNH	pf			z1200	14⅛	14	14	− ⅛
14⅞	3¼	vjPNH	pfB			17	13¼	13	13	− ⅛
19⅜	5½	vjPNH	pfC			85	16	15½	15½	− ⅝
18½	4	vjPNH	pfD			1	14	14	14	− ¾
16	3½	vjPNH	pfE			27	14½	14¼	14¼	
15¾	3½	vjPNH	pfF			41	12½	12¼	12½	− ⅛
16¼	3⅜	vjPNH	pfG			133	13⅞	13⅛	13½	− ⅛
22⅞	11	PSvNM	1.52	13.		1367	11⅞	11½	11½	− ⅛
26⅞	22	PSEG	2.04	8.3	10	901	24⅝	24⅜	24½	
90½	80	PSEG	pf8.16	9.9		z500	82½	82⅛	82⅛	+1⅛
86	75	PSEG	pf7.70	10.		z100	76⅝	76⅝	76⅝	+ ⅛
89¾	71⅛	PSEG	pf7.80	9.9		z400	78¾	77½	78¾	+ ¾
3⅜	1⅝	Publick				215	3	2⅞	3	
49¼	28¾	PR Cem	.60a	1.0	7	42	u48½	47¾	48½	+ ½
20¼	18	PugetP	1.76	9.6	8	367	18⅝	18¼	18¼	
9	7	PHlGS	.86	11.		327	7⅞	7⅞	7⅞	+ ⅛
10½	8¾	PlGIT	n1.01	11.		737	9	8⅞	8⅞	
10⅝	8¾	PMlT	n1.03a	12.		786	8⅞	d 8⅝	8¾	− ⅛
10⅜	8⅞	PMlT	1.10a	12.		1311	9	8⅞	9	+ ⅛
10⅝	8⅞	PPrlT	n1.14	13.		3886	9	d 8¾	9	+ ⅛
8⅜	3¾	Pyro				59	6½	6¼	6⅜	
15⅞	6	QMS				666	7⅜	7	7	− ¼
1⅝	½	Quantel			1	639	9-16	½	½	
61½	38½	QuakO	1.20	2.3	15	717	63¼	62⅝	63	+ ⅛
27⅝	14⅞	QuakSC	.80	4.7	36	2640	17⅛	16⅞	17⅛	+ ⅛
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29½	12⅞	SwAirl	.14	.7	18	3085	u20¾	[illegible]	[illegible]	
23¼	18⅛	SwGas	1.34	7.4	8	232	18⅛	[illegible]	[illegible]	
42⅝	32¾	SwBell	2.48	6.0	12	3191	42⅜	[illegible]	[illegible]	
22⅞	16⅛	SwEnr	.60	3.3	13	284	17⅞	[illegible]	[illegible]	
29¾	22¾	SwtPS	2.20	7.9	11	812	27⅞	[illegible]	[illegible]	
35⅞	30¼	Sovran	1.52	4.5	9	617	34⅛	[illegible]	[illegible]	
12⅞	9	Spain	n			435	10⅞	[illegible]	[illegible]	
13⅝	9½	Spartan	.52	4.7	10	38	11⅞	[illegible]	[illegible]	
14⅞	7⅞	Sprague	.05e	.4	16	z247	11⅞	[illegible]	[illegible]	
36⅜	27	Springs	1	3.2	12	409	31⅝	[illegible]	[illegible]	
55¼	45¼	SquarD	2	4.1	12	956	49⅞	[illegible]	[illegible]	
70⅝	55½	Squibb	1.60	2.4	16	1005	67⅞	[illegible]	[illegible]	
20	10⅞	StBPnt				567	18	[illegible]	[illegible]	
9¼	5⅞	StFdSk	.40	4.8	5	220	8⅞	[illegible]	[illegible]	
16	11½	StMotr	.32	2.3	19	14	14	[illegible]	[illegible]	
12⅜	7½	StdPac	1.20e	10.	6	380	11⅞	[illegible]	[illegible]	
31⅞	20¼	StdPrd	.60	2.8	9	32	20⅞	[illegible]	[illegible]	
24	14	Standex	.60	2.9	17	22	20¼	[illegible]	[illegible]	
21⅜	13⅞	Stanhm	s.68	3.7	10	1262	18¼	[illegible]	[illegible]	
31⅞	23⅞	StanWk	.96	3.5	12	517	26¼	[illegible]	[illegible]	
11⅞	10¼	StaMSe	1.12a	10.		63	10⅞	[illegible]	[illegible]	
6	3	Steego	.09t	2.1		1	4¼	[illegible]	[illegible]	
12⅝	8¼	SterlBcp	.80	7.3	11	94	10⅞	[illegible]	[illegible]	
17⅞	14¼	StrlCh	n		4	760	15	[illegible]	[illegible]	
12⅝	10¾	StlYC	pr 1	8.9		z800	11¼	[illegible]	[illegible]	
10	5¼	Stifel			180	51	6¼	[illegible]	[illegible]	
73¼	58⅞	StoneW	2.40	3.4	14	180	70⅝	[illegible]	[illegible]	
38½	20⅞	StoneC	s .36	1.2	6	2809	30	[illegible]	[illegible]	
8¼	5	StonRs				64	8¼	[illegible]	[illegible]	
13⅜	10⅞	StorEq	1.40	13.	12	107	11¼	[illegible]	[illegible]	
2⅞	1⅜	StorTch			17	7376	1⅞	[illegible]	[illegible]	
[illegible]										

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										
22⅞	15¼	Wynns	.60	2.8	97	19	21⅞	21⅞	21⅞	+ ⅛
29½	5⅝	Wyse			4	825	6½	6¼	6¼	− ⅛
		– X–Y–Z –								
63	50¼	Xerox	3	5.2	10	1380	58¾	57⅝	58⅛	+ ¼
38⅝	21⅛	XTRA	.72	2.0	14	122	36⅞	36½	36⅝	+ ⅛
29¾	21⅛	XTRA	pf1.94	6.9		16	28	28	28	+ ⅛
3⅞	2	Zapata				483	2¼	2⅛	2⅛	
27⅛	13⅞	Zayre	.40	1.6	165	968	25	24⅞	24⅞	
39	13½	ZenithE				1303	19⅞	19	19⅜	
10⅛	9½	Zenin	n .59e	6.1		236	9⅞	9⅝	9⅞	+ ⅛
3⅞	1	vjZenLb				1400	1⅞	1⅝	1⅝	− ⅛
21⅜	13⅛	ZenNtl	.80b	4.7	8	295	17¼	16¾	17	+ ¼
17⅞	13	Zero	.44	2.6	16	269	17¼	16⅞	17⅛	+ ⅜
29	18	Zurnin	.68	2.4	17	197	28	27⅞	28	+ ⅛
11⅞	8⅝	Zweig	1.04	10.		277	10¼	10⅛	10¼	
10⅜	9	ZweigT	n.16a	1.7		677	9⅜	9⅛	9¼	− ⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

OVER-THE-COUNTER

Nasdaq national market, 3pm prices December 20

Stock	Div.		Sales 100s	High	Low	Last	Chng
A&W Bd		29	116	17¾	17⅛	17⅜	+ ¼
ADC		10	173	13⅛	12⅛	12⅞	
ASK		15	279	14⅞	14⅛	14⅞	− ⅛
AST		6	1263	8⅞	7⅞	7⅞	− ⅛
Acadin		21	6309	1 11-16	1½	1½	−1-16
AcmeSt	.06e	8	16	23	23	23	− ⅛
ActAth	s	28	6	16½	16¼	16½	+ ¼
Actmed		788	224	7⅞	7⅝	7⅞	+ ⅛
Acxiom		13	46	12	11¾	12	
AdacLb		18	6634	u 5	4⅜	4 15-16	+ ⅛
Adapt		22	60	4⅞	4⅞	4⅞	+ ⅛
AdiaSv	.14	15	47	22¼	22	22	− ⅛
AdobeS	s	31	3524	25	23¾	24⅛	+ ¾
AdvCir			111	3⅞	3½	3⅞	+ ⅛
AdMkSv		19	167	16⅞	16	16⅞	+ ⅛
AdvPoly			91	6¾	6⅝	6¾	+ ⅛
AdvTel		18	798	15⅞	15⅜	15⅜	
[illegible]							

Stock	Div.		Sales 100s	High	Low	Last	Chng
Dauphn	1.36b	9	60	32¼	31½	31½	− ½
DebShp	.20	18	157	11⅞	10⅞	11⅛	+ ⅛
Dekalb	.05t		285	17⅝	17⅜	17½	+ ⅜
Delchm	.36	14	149	21	20½	21	+ ¼
DellCpt		12	1664	10¼	9⅝	9⅞	− ⅜
DepGty	1.62	8	3	30½	30⅜	30½	+ ⅛
Diagnst		26	332	4⅝	4 7-16	4⅝	+ ⅛
Dibrel	s .56	10	402	u18	16½	17⅛	+ ½
Dicson		7	345	11⅛	11	11⅛	
DigMic		31	1684	24½	22⅞	23⅞	+ ⅞
Digtch			587	1⅞	1⅞	1 3-16	
DionFn	.80	9	85	12⅛	11⅞	11⅞	
Dionex		17	285	22⅞	21⅞	21⅞	− ⅞
Divinvt		16	57	u14⅝	14⅛	14⅛	+ ⅛
DixieYr	.60	9	192	18⅝	18¼	18½	+ ⅛
DirGnl	.20	27	2190	8⅞	8⅝	8⅝	
DomBk	.80	7	558	16	d15½	15⅞	− ⅛
DressB		19	369	14⅛	14	14	
[illegible]							

Stock	Div.		Sales 100s	High	Low	Last	Chng
KeyCn	s.52b	13	15	15	14⅞	14⅞	
KeyTrn			224	4⅝	4¼	4⅜	− ⅛
Kimbal	.62	11	14	17	16½	16½	− ⅛
Kinder	.08	12	3482	7⅝	7⅜	7⅝	+ ⅛
KndrLr			565	6½	6⅜	6⅜	− ⅛
Kinetic		17	179	7⅞	7⅝	7⅞	
Kirschn		31	684	21¼	19	20	− ⅛
Komag		12	2202	8⅝	8⅜	8⅜	− ⅛
Kruger	.22	13	367	6	5¾	5⅞	
Kulcke		15	269	9⅛	8¾	8¾	− ⅜
		– L–L –					
LA Gr	s	8	6786	u23⅛	22½	22½	− ⅝
LSI Lg		17	2184	10½	10	10⅛	− ⅛
LTX		11	1718	7	6¾	6⅞	+ ⅛
LaPete		17	1601	9⅞	9⅝	9⅞	
LacldS	s .40	5	8	21⅞	21⅞	21⅞	− ⅛
LaddFr	.20a	10	30	14⅛	14⅛	14⅛	
LaidlT	B .20	34	361	14⅝	14⅛	14⅜	− ⅛
[illegible]							

Stock	Div.		Sales 100s	High	Low	Last	Chng
ReyRy	.76	10	1305	u25⅛	24⅛	24⅞	+1½
RhonPl	.06e		70	40⅛	39⅞	40⅛	+ ⅞
RibiIm			363	3⅝	3⅝	3⅝	− ⅛
RichEl	.08a	17	571	19⅛	18¾	19⅛	+ ⅜
Richld	.16e	14	18	7⅞	7⅝	7⅞	+ ⅛
RigsNt	1.10	16	735	26	25¼	25¼	− ⅞
RoadSv	1.10	18	2455	30½	30	30½	+ ⅛
RbtHlf	s	20	21	19	18¾	19	+ ⅛
RochCS	.44	11	770	14⅛	13⅞	14	+ ⅛
RevltFd	.60	5	23	12⅛	11⅞	12⅛	+ ⅛
RoseB	.16a	14	136	7⅞	7⅞	7⅞	
Rospch		15	17	21⅞	21⅛	21⅛	
RossStr		14	953	10⅛	10¼	10¼	− ⅛
Rouse	.52	78	1207	24⅛	23½	24⅛	+ ⅜
RyanF		15	1465	5⅞	5⅛	5⅛	− ⅛
		– S–S –					
SCI Sys		15	523	14½	14⅛	14⅜	
SEI	.05e	18	216	18	17½	18	+ ⅛
[illegible]							
Xicor		13	1718	8⅛	8	8	− ⅛
Xyvan			298	5⅞	6⅛	5⅛	− ⅛
YelowF	.70	20	237	32⅛	31⅞	32	
ZionUt	1.44		168	20⅞	d20	20⅛	− ⅛

AMERICA

Dow eases after morning flurry to post-crash peak

Wall Street

BULLISH economic indicators fuelled a flurry of early morning trading yesterday and and at one point pushed the Dow Jones Industrial Average to 2,187, above its post-crash high of 2,183.50, *writes Karen Zagor in New York.*

Following the market's initial burst, volume thinned out to a moderate level by early afternoon and at 2 pm the Dow Jones Industrial Average was up 5.36 points at 2,178.04. Advances led declines by a margin of about 7 to 6, after starting the day at 2 to 1.

The market received a boost from the release of the second revisions to the third quarter gross national product figures and the November Consumer Prices Index, both of which were bullish.

The CPI rose by only 0.3 per cent in November, below the 0.4 per cent which many economists had expected. The lower figure should help calm investors' fears that rising inflation will lead to higher interest rates.

The third quarter GNP rate was also revised downwards to 2.5 per cent from the previously reported 2.6 per cent. According to the Commerce Department, the rate was the lowest since the 1.4 per cent in the fourth quarter of 1986. Economists had been expecting a small upward revision in the indicator.

In morning trading the debt market rose in tandem with the stock market, with the Treasury's benchmark long bond as high as $103¾ with a yield of 9.004 per cent at one stage, falling to $100⅜, a price at which it yielded 8.950 per cent.

The Federal Reserve is arranging $1.5bn in customer repurchase agreements, according to the Federal Reserve Bank of New York.

Some analysts expect the Fed to do system repurchases for the remaining business days in the year in order to offset seasonal forces and maintain the Fed Fund rate in the region of 8¾. The Fed Fund rate stood at 8⅞ in the early afternoon.

The dollar remained firm at around Y125.25 at midday, up from Y124.13 at Monday's close.

Blue chips were mixed. The Aluminium Company of America posted a gain of $1, with shares trading at $55⅝. International Business Machines rose by $1 to $123¾. American Express added $⅜ to trade at $27½.

GE was one of the most active blue chips, rising $⅛ to $46⅝ on heavy volume of 1.6m shares.

American Telephone & Telegraph slipped by $¼ to $29⅝. Coca-Cola was down at $44½, a fall of $½. Texaco was lower by $⅛ at $52.

Shares in First Fidelity Bankcorp, the New Jersey-based super-regional bank holding company which expects fourth quarter losses of between $145m and $190m, dipped by $1⅞ to $26 in midday trading on a heavy volume of 1.5m shares. The average daily volume for First Fidelity Bankcorp stock is about 150,000.

The shares fell after the bank holding company met on Monday with analysts to discuss last week's heavy provision for bad loans that will probably wipe out this year's profits.

First Fidelity told them it was unable to offer any assurance that its bad loan problems were behind it. Analysts had asked it if further provisions for non-performing loans would be required. First Fidelity said, though, that its $250m to $350m provision in the fourth quarter, announced last week, was adequate.

Pennwalt, the Philadelphia-based chemical company, gained $1⅞ to $106⅞ in midday trading, significantly higher than the $100 a share being offered for the company by Centaur Partners.

Canada

METAL and mine shares rose, pushing Toronto higher in active midday trading, as US gross national product and consumer prices came in as expected.

The composite index gained 13.0 to 3,333.4 on volume of 17.2m shares.

Dylex, which said its Brooks Fashion Stores had agreed with creditors on a reorganisation plan, fell C$¼ to C$14½.

Options put Brazil in a frenzy

SAO PAULO'S Stock Exchange remained hyperactive yesterday, after recording its largest-ever trading volume on Monday when a stock option exercise forced turnover up to $287m, *writes John Barham in Sao Paulo.*

Unhedged investors in the highly speculative stock options market were responsible for Monday's frenzy. They were made to pay a heavy premium on the floor of the exchange to buy the shares they owed to options holders.

Yesterday Sao Paulo's composite Bovespa index gained 6 per cent to close at 25,580 points. Unhedged speculators were still combing the market for shares they had contracted to deliver. They must hand over share certificates by next Monday.

The largest option was in stock in Petrobras, the national oil company, which rose 8 per cent on Monday. Yesterday Petrobras continued to dominate trading with $42m in share transactions. On Monday, it had accounted for 90 per cent of the Sao Paulo exchange's activity.

Once again, government regulators have criticised the market's fascination with options. Mr Arnaldo Wald, head of the CVM Securities Commission, said the options market's influence was an "aberration."

The December option exercise caught the market unawares. The contract had languished after the November 15 election victory by left wing parties had sent stock prices down. However, in just a few trading days, share prices staged a recovery, panicking unhedged players.

Government statements that the indexation system could be dismantled increased interest in stocks. Inflation is running at close to 30 per cent a month.

Vienna awakes with a more risky attitude

The Austrian market is chipping away at its conservatism, writes Judy Dempsey

MANY Austrian institutional investors – and even some of the country's new small investors – are likely to look back at the performance of the Vienna bourse with some pleasure.

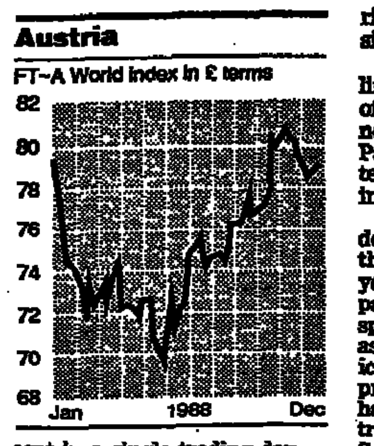
At the close of trading yesterday, the bourse index stood at 244.21. That is an improvement of 18 per cent over this time last year when it stood at 207.22. It is expected that the average index will be at about 240 compared with last year's average of 206.7.

Total trading volume by the end of November, admittedly helped by the issuing of seven new shares, topped Sch19.6bn ($1.6bn), equivalent to a daily turnover of Sch85.6m, and bankers confidently expect the year's total to be well over Sch20bn. That, too, is a sharp improvement on last year's total of Sch16.6bn and daily average of Sch75.6m.

So what has been behind this reawakening of the Vienna bourse? There seems to be a number of factors.

The first is renewed foreign buying, especially in the autumn. The second is the sale of 49 per cent of the Verbund, the huge state-run Austrian electricity industry. The sale of 16.5m shares has created 72,500 new private and institutional investors in Austria.

The third reason could be linked to a gradual shift in the Austrian attitude towards risk. This is a notoriously conservative country when it comes to equity markets. And that probably explains why the bourse has for so long retained the strict "clausus" which prevented any one share from rising or falling more than 5 per cent in a single trading day.



However, a decision last week by the bourse management has raised this limit to 10 per cent. In the view of senior bankers involved in the security markets, this represents a significant shift in attitudes.

The new "clausus" is also linked to the computerisation of the bourse which will from next month use the PATS, or Partly Assisted Trading System, a locally-developed clearing house mechanism.

Meanwhile, certain shares deserve special attention for their performance over the year. One is Montana, which is part of the Kahane group and specialises in financial services as well as mining and biochemical products. Its shares, once priced at around Sch10,500, have shot up since March and traded between Sch19,500 and Sch23,500, partly due to the successful outcome of a court case and partly because the shares were considered undervalued in the first place.

Constantia Industriholding, one of Austria's most successful private groups, has performed well too. The group recorded a turnover of Sch14bn for 1988 compared with Sch10.9bn the previous year.

However, last month when the members of the board sold the majority of shares of Neusiedler, a 100 per cent subsidiary of Constantia, to the Frantschack group, the share price slipped back on the bourse. The sale also led to the decision by Mr Josef Taus, the dynamic chairman of Constantia, to resign in spring next year, earlier than planned.

Traders believe the setback is a hiccup, given the group's consistently good performance. They are optimistic that, with a bit of luck and a new crop of shares to be listed in 1989, the Vienna bourse may finally be out of the doldrums.

EUROPE

Frankfurt hits 1988 high on heavy volume

ANOTHER strong day in Europe saw turnover picking up broadly on continued foreign interest. Frankfurt and Oslo reached 1988 highs and Stockholm hit another all-time peak, *writes Our Markets Staff.*

FRANKFURT fulfilled the promise held out on Monday, climbing to a new high for the year as growing foreign and domestic interest swelled turnover to DM5.18bn from Monday's strong DM4.46bn. That compares with daily figures of DM2.2bn or DM2.3bn for most of this month.

The momentum that started last week on signs that the Lombard rate increase would hold interest rates steady was given extra force yesterday by the strength of the dollar and Wall Street, the high degree of overseas interest and positive company news.

One salesman said: "With the dramatically improved turnover, this is more than pure and simple window-dressing. There is significant overseas investment coming in."

The FAZ surged 7.82 to 549.05, easily overtaking its October 27 high of 542.21 and ending just below a long-term chart resistance point at 550. The DAX index closed at a year's peak of 1,333.04, up 17.06.

Siemens, which has been at the forefront of the rally, benefited further from yesterday's decision by the High Court in London to refuse Plessey an injunction to block the Siemens-GEC bid. The German electronics group ended DM11.40 higher at DM537.

Deutsche Bank rose DM6.50 to DM568 and Daimler rebounded DM12 to DM741 after being unsettled last week by rights issue speculation.

Chemicals, recent laggards, picked up, with Bayer up DM5.20 at DM308 and Hoechst DM4.10 better at DM307.

PARIS benefited from the improved mood elsewhere in Europe, as well as from Wall Street's firmness and relief that the Federal Reserve has not raised the discount rate. Volume was estimated by one house at slightly better than Monday's FFr1.3bn. The opening CAC General index gained 1 to 395.0 and the OMF 50 index closed 4.31 better at 413.75.

Peugeot was again in the limelight, rising FFr20 to FFr1,233 following its deal with Fiat to develop a light commercial vehicle. The stock is also still seen as cheap, both within the market and within the European motor sector.

CGE rose FFr3.80 to FFr394.80 on news that ITT, the US conglomerate, had taken a 2.84 per cent stake in it. One French analyst said the hard core of shareholders around Mr Pierre Suard, the chairman, was seen as secure, thus limiting takeover speculation.

Galeries Lafayette recovered FFr67 to FFr1,218 after falling heavily last week on worries about damage to sales from the transport strikes.

MILAN also had a more active day, with continued foreign interest helping to push the Comit index up 2.71 to 585.81 after its climb of more than 9 points on Monday. Volume was put at about L175bn by one house, compared to around L140bn on Monday.

The approval of the 1989 budget gave a boost to the market, which saw a broad rally taking in telecommunications and insurance stocks as well as other blue chips. Montedison gained L40 to L2,050 and Fiat L87 to L9,770.

MADRID remained fairly optimistic about the November inflation figure, which was delayed until after the market closed and came out at minus 0.1 per cent, about the middle of the expected range. Volume was said to be similar to Monday's Pta 7bn and the general index rose 0.89 to 279.50.

Telefonica again saw arbitrage between New York and Madrid, rising 5 percentage points to 180.7 per cent of par.

AMSTERDAM finished moderately better after profit-taking whittled away some of the early gains which had come on the back of a strong dollar and a good economic forecast for Dutch industry by the Central Bureau of Statistics.

The CBS all-share index rose 0.2 to 104.4 in a busy session with turnover of Fl 787m.

Blue chips were slightly firmer with the exception of Royal Dutch which dropped Fl 1.40 to Fl 232 on the ruling by a Californian jury that the oil company could not expect insurance companies to provide the estimated US$1.8bn needed to clean up pollution at a pesticide plant. The company plans to appeal.

Hollandsche Beton, the building concern, announced it would take an unspecified stake in rival constructor Koninklijke Volker Stevin. The move is seen by Volker as the first step towards a hostile takeover bid. HBG fell Fl 1.50 to 173.50 while Volker was unchanged at Fl 43.50.

STOCKHOLM rose to another all-time high after Monday's dip in volume of SKr480m, helped by foreign interest. The Affärsvärlden General Index rose 6.6 to 1,007.2, with interest focusing on the 16 blue chip companies.

Ericsson free B-shares rose SKr8 to SKr358 while Electrolux gained SKr4 to SKr301.

The Swedish Options and Futures Exchange said that the Bank Inspection Board, the state financial watchdog, had decided foreign investors should be exempt from turnover tax on contracts within the SOFE system. The ruling is expected to increase foreign activity.

OSLO reached a high for the year on growing optimism about the economy, helped by a report from the Organisation for Economic Cooperation and Development. The all-share index rose 3.80 to 331.13 in active trading of NKr312m.

ZURICH edged up in moderate trading helped by the gain on Wall Street and the stronger dollar. The Crédit Suisse index rose 3.2 to 508.4.

SOUTH AFRICA

PLATINUM and gold shares were steady in thin Johannesburg trading as support came at lower levels and the platinum price recovered slightly. Impala Platinum gained 50 cents to R33.50 and Freegold rose 25 cents to R29.

ASIA PACIFIC

Nikkei makes up ground in low turnover

Tokyo

OVERNIGHT gains on Wall Street and three consecutive days of losses on the domestic market encouraged some buying early in the day but trading was mixed and shares closed moderately higher on insignificant volume, *writes Michiyo Nakamoto in Tokyo.*

The Nikkei average crept up 151 points in the morning session but profit-taking trimmed gains and it finished up 97.86 at 29,567.94. The Topix index of all listed shares rose 4.87 to 2,280.89. In later trading in London Japanese shares closed higher with the ISE/Nikkei 50 index up 4.18 at 1,900.45.

Turnover was once again low at 654m shares although this was an improvement on the 461m traded on Monday. The market had been nervous about the possibility of a rise in the US official discount rate. However, there was some relief yesterday as it became known that several members of the US Federal Reserve Board would soon be leaving for the Christmas holidays; the gains on Wall Street confirmed the growing feeling that there probably would not be a rate increase before the new year.

In early trading investors selected a number of issues, particularly high technology blue chips, which are thought to be likely candidates for market leaders next year. Sony featured with a rise of Y100, to a high of Y7,290, before profit-taking saw it close down Y50 at Y7,140. Toshiba, up Y30 at Y1,060, topped the most actives list with 37.7m shares.

The general feeling is that the market is ready for impetus in the form of new themes. The present market's leading issues, the large capital and asset-backed stocks, have already been in the limelight for about two years and some investors are betting on high-technology issues, which were neglected this year, to take their place.

Trading in Osaka was also mixed with interest shifting from high-tech issues to large capital steels. The OSE average rose 3.75 to 27,846.25.

Roundup

RISES in Tokyo and New York boosted sentiment in Australia and Singapore, but profit-taking and domestic tax worries saw shares fall in Hong Kong and Taiwan.

AUSTRALIA drew most of its strength from Wall Street's rise and the slim discount between the main equities index and the futures contract. The All Ordinaries index rose 10.5 to 1,462.1 on turnover of 92m shares worth A$190m.

The main feature was TNT's A$2.45-a-share bid for mining group Poseidon, which is already the subject of an offer from Normandy Resources. Poseidon gained 15 cents to A$2.45, Normandy Resources rose 10 cents to A$1.42 and TNT lost 9 cents to A$3.48.

There was activity among the banks before two of them go ex-dividend later this week. National Australia, the day's heaviest traded stock, fell 2 cents to A$6.56 on turnover of 7.5m shares while Westpac steadied at A$5.38 and ANZ rose 2 cents to A$5.34.

HONG KONG slipped lower on profit-taking and the lack of fresh incentive. The Hang Seng index lost 3.87 to 2,607.97 on turnover worth HK$490m.

SINGAPORE closed firmer on rises in New York and Tokyo but off the day's highs amid late profit-taking and a lack of a follow-through from early demand. The Straits Times industrial index gained 6.90 to 1,014.75.

TAIWAN continued its rollercoaster performance by following Monday's gains with a sizeable fall on the lack of buying interest. The weighted index plunged 252.18 to 5,214.12 as volume shrank to T$30bn worth of shares.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	MONDAY DECEMBER 19 1988					FRIDAY DECEMBER 16 1988			DOLLAR INDEX		
Figures in parentheses show number of stocks per grouping	US Dollar Index	Day's Change %	Pound Sterling Index	Local Currency Index	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Local Currency Index	1988 High	1988 Low	Year ago (approx)
Australia (90)	141.15	+1.0	114.82	109.93	4.88	139.69	114.35	109.54	152.31	91.16	97.47
Austria (18)	96.41	−0.2	78.43	88.31	2.79	96.61	79.09	88.25	100.00	83.72	97.11
Belgium (63)	132.54	+0.1	107.82	121.42	4.17	132.44	108.42	121.33	139.89	99.14	95.51
Canada (125)	122.16	+1.2	99.37	106.15	3.40	120.76	98.86	105.32	128.91	107.06	110.51
Denmark (39)	153.51	+0.0	124.88	142.54	2.13	153.47	125.64	142.20	159.19	111.42	113.56
Finland (26)	130.94	−0.1	106.52	113.93	1.47	131.11	107.33	113.94	139.83	106.78	—
France (130)	109.13	+0.2	88.77	103.05	3.15	108.94	89.18	102.91	112.34	72.77	86.13
West Germany (102)	87.12	+0.9	70.87	79.81	2.34	86.35	70.69	79.28	88.26	67.78	77.06
Hong Kong (46)	108.07	−0.8	87.92	108.32	4.77	108.94	89.18	109.20	111.86	84.90	87.69
Ireland (18)	131.20	−0.7	106.73	121.95	4.13	132.14	108.18	122.70	144.25	104.60	103.67
Italy (98)	83.98	+1.2	68.32	81.39	2.49	82.96	67.91	80.85	86.73	62.99	77.55
Japan (456)	185.77	+0.2	151.12	145.67	0.51	185.36	151.75	145.88	190.93	133.61	144.27
Malaysia (36)	141.64	+0.6	115.23	146.96	2.88	140.85	115.30	146.00	154.17	107.83	108.84
Mexico (13)	161.95	−2.8	131.74	404.95	1.26	166.65	136.43	415.89	182.24	90.07	102.92
Netherland (38)	112.38	+2.0	91.42	102.04	4.83	110.18	90.20	100.22	112.38	95.23	97.64
New Zealand (25)	65.08	+0.7	52.94	55.31	7.14	64.61	52.89	54.98	84.05	63.32	73.39
Norway (25)	133.37	+1.1	108.50	118.44	2.45	131.87	107.96	116.97	133.70	98.55	98.68
Singapore (26)	120.18	+0.7	97.76	107.55	2.52	119.34	97.70	107.00	135.89	97.99	94.35
South Africa (60)	115.98	−1.8	94.35	97.50	4.73	118.16	96.73	98.39	139.07	98.26	133.72
Spain (42)	148.97	+0.5	121.19	128.54	3.17	148.28	121.39	128.06	164.47	130.73	131.61
Sweden (35)	143.65	−0.4	116.85	129.98	2.20	144.19	118.04	130.31	144.36	96.92	99.36
Switzerland (57)	76.29	+0.0	62.06	70.31	2.41	76.29	62.46	70.43	86.75	74.13	81.78
United Kingdom (316)	134.32	+0.5	109.27	109.27	4.92	133.61	109.38	109.38	141.51	120.66	131.15
USA (576)	113.42	+0.9	92.26	113.42	3.63	112.44	92.05	112.44	115.55	99.19	101.62
Europe (1007)	113.04	+0.6	91.95	98.46	3.81	112.35	91.98	98.23	116.61	97.01	103.41
Pacific Basin (679)	180.78	+0.2	147.06	142.59	0.74	180.36	147.65	142.78	185.81	130.81	140.25
Euro-Pacific (1686)	153.67	+0.3	125.01	125.08	1.66	153.14	125.37	125.11	158.08	120.36	125.56
North America (701)	113.87	+0.9	92.63	112.99	3.62	112.87	92.40	112.02	116.07	99.78	102.09
Europe Ex. UK (691)	99.55	+0.7	80.98	91.97	2.96	98.89	80.96	91.52	101.29	80.27	86.20
Pacific Ex. Japan (223)	121.13	+0.5	98.54	103.74	4.78	120.59	98.72	103.69	128.27	87.51	91.75
World Ex. US (1884)	152.20	+0.3	123.81	124.30	1.73	151.67	124.17	124.31	156.39	120.26	125.11
World Ex. UK (2144)	137.57	+0.5	111.91	121.75	2.06	136.88	112.06	121.39	139.61	111.77	114.53
World Ex. So. Af. (2400)	137.39	+0.5	111.77	120.71	2.30	136.69	111.90	120.39	139.52	113.26	115.89
World Ex. Japan (2004)	113.94	+0.7	92.69	107.45	3.75	113.10	92.59	106.82	115.54	100.00	102.48
The World Index (2460)	137.26	+0.5	111.66	120.55	2.31	136.57	111.80	120.24	139.43	113.37	116.00

Base values: Dec 31, 1986 = 100; Finland: Dec 31, 1987 = 115.037 (US $ Index), 90.791 (Pound Sterling) and 94.94 (Local).

Latest prices were unavailable for this edition.
At the quarter-end review of the FT-Actuaries World Index it was decided to include the following constituents with effect from January 2,1989: Canadian Utilities Class A (Canada); Eurotunnel (France); TVB (Hong Kong) replacing HK-TVB; Hafslund Nycomed B (Norway); Singapore International Airlines (Singapore) replacing Singapore Airlines; British Steel, Eurotunnel and Mecca Leisure (all UK) and Sovran Financial Group (USA).
Classification changes to existing constituents: Compagnie Generale d'Electricite (France) to Communications Equipment and Hafslund Nycomed (Norway) to Health Care.
The World Index Policy Committee also considered the inclusion of NTT (Japan) but decided against on eligibility grounds.